



Santa Clara Valley Water District Board Audit Committee Meeting

Via Zoom Teleconference

REGULAR MEETING AGENDA

**Wednesday, January 19, 2022
2:00 PM**

District Mission: Provide Silicon Valley safe, clean water for a healthy life, environment and economy.

BOARD AUDIT COMMITTEE
Barbara Keegan, Chair - District 2
Gary Kremen, Vice Chair - District 7
Richard P. Santos - District 3

During the COVID-19 restrictions, all public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body, will be available to the public through the legislative body agenda web page at the same time that the public records are distributed or made available to the legislative body. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to participate in the legislative body's meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

DARIN TAYLOR
Committee Liaison

MAX OVERLAND
Assistant Deputy Clerk II
Office/Clerk of the Board
(408) 630-2749
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Note: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.

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Santa Clara Valley Water District
Board Audit Committee
REGULAR MEETING
AGENDA

Wednesday, January 19, 2022

2:00 PM

Via Zoom Teleconference

*****BY VIRTUAL TELECONFERENCE ONLY*****

Pursuant to California Government Code section 54953(e), this meeting will be held by teleconference only. No physical location will be available for this meeting; however, members of the public will be able to participate in the meeting as noted below.

In accordance with the requirements of Gov. Code Section 54954.3(a), members of the public wishing to address the Board/Committee at a video conferenced meeting, during public comment or on any item listed on the agenda, should use the “Raise Hand” tool located in the Zoom meeting link listed on the agenda, at the time the item is called. Speakers will be acknowledged by the Board Chair in the order requests are received and granted speaking access to address the Board.

Santa Clara Valley Water District (Valley Water) in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access and/or participate in Valley Water Committee meetings to please contact the Clerk of the Board’s office at (408) 630-2711, at least 3 business days before the scheduled meeting to ensure that Valley Water may assist you.

This agenda has been prepared as required by the applicable laws of the State of California, including but not limited to, Government Code Sections 54950 et. seq. and has not been prepared with a view to informing an investment decision in any of Valley Water’s bonds, notes or other obligations. Any projections, plans or other forward-looking statements included in the information in this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water’s bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures and Valley Water’s Investor Relations website, maintained on the World Wide Web at <https://emma.msrb.org/> and <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>, respectively.

Under the Brown Act, members of the public are not required to provide identifying information in order to attend public meetings. Through the link below, the Zoom webinar program requests entry of a name and email address, and Valley Water is unable to modify this requirement. Members of the public not wishing to provide such identifying information are encouraged to enter "Anonymous" or some other reference under name and to enter a fictional email address (e.g., attendee@valleywater.org) in lieu of their actual address. Inputting such values will not impact your ability to access the meeting through Zoom.

Join Zoom Meeting:
<https://valleywater.zoom.us/j/91608079873>
Meeting ID: 916 0807 9873
Join by Phone:
1 (669) 900-9128, 91608079873#

1. CALL TO ORDER:

1.1. Roll Call.

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA.

Notice to the Public: Members of the public who wish to address the Committee on any item not listed on the agenda should access the "Raise Hand" tool located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Committee Chair in order requests are received and granted speaking access to address the Committee. Speakers comments should be limited to three minutes or as set by the Chair. The law does not permit Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Committee action is requested, the matter may be placed on a future agenda. All comments that require a response will be referred to staff for a reply in writing. The Committee may take action on any item of business appearing on the posted agenda.

3. APPROVAL OF MINUTES:

3.1. Approval of Minutes.

[22-0154](#)

Recommendation: Approve the minutes.

Manager: Michele King, 408-630-2711

Attachments: [Attachment 1: 121521 BAC Minutes](#)

4. REGULAR AGENDA:

4.1. Review and Discuss the 2022 Board Audit Committee Work Plan.

[22-0139](#)

Recommendation: Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustments to the BAC Work Plan.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: Proposed 2022 BAC Work Plan](#)

- 4.2. Board Audit Committee's 2021 Annual Self-Evaluation Process. [22-0031](#)
Recommendation: Discuss Board Audit Committee's Annual Self-Evaluation Process.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: BAC Self-Evaluation Template](#)
- 4.3. Receive Final Contract Close-out Report from TAP International, Inc. [22-0032](#)
Recommendation: Receive Final Contract Close-out Report from TAP International, Inc.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Final Contract Close-out Report](#)
- 4.4. Receive and Discuss a Status Update on the Implementation of Audit Recommendations. [22-0111](#)
Recommendation: Receive and discuss a status update on the implementation of audit recommendations.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: Audit Recommendations Tracking Table](#)
- 4.5. South Bay Clean Creeks Coalition Partnership Agreement. [22-0112](#)
Recommendation: Receive information on the South Bay Clean Creeks Coalition (SBCCC) Partnership Agreement.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: SBCCC Communication to Valley Water](#)
[Attachment 2: Valley Water Communication to SBCCC](#)
- 4.6. Receive and Discuss the Draft Management Responses to Human Resources Audit Report. [22-0114](#)
Recommendation: Receive and discuss the draft management responses to the Human Resources Audit Report.
Manager: Darin Taylor, 408-630-3068
Attachments: [Attachment 1: HR Audit Draft Report](#)
[Attachment 2: HR Audit Draft Report Appendix A - Benefits Comp](#)

4.7. Discuss the 2022-2024 Annual Audit Work Plan. [22-0113](#)

Recommendation: Discuss the 2022-2024 Annual Audit Work Plan.

Manager: Darin Taylor, 408-630-3068

Attachments: [Attachment 1: 2022-2024 Annual Audit Work Plan](#)

4.8. Discuss the Financial Auditor Selection Process. [22-0110](#)

Recommendation: Discuss the Financial Auditor selection process.

Manager: Darin Taylor, 408-630-3068

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

6. ADJOURN:

6.1. Adjourn to Regular Meeting at 2:00 p.m., on February 16, 2022.



Santa Clara Valley Water District

File No.: 22-0154

Agenda Date: 1/19/2022
Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

SUBJECT:

Approval of Minutes.

RECOMMENDATION:

Approve the minutes.

SUMMARY:

In accordance with the Ralph M. Brown Act, a summary of Committee discussions, and details of all actions taken by the Board Audit Committee, during all open and public Committee meetings, is transcribed and submitted to the Committee for review and approval.

Upon Committee approval, minutes transcripts are finalized and entered into the Committee's historical records archives and serve as historical records of the Committee's meetings.

ATTACHMENTS:

Attachment 1: 121521 BAC Minutes

UNCLASSIFIED MANAGER:

Michele King, 408-630-2711

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BOARD AUDIT COMMITTEE MEETING

MINUTES

**REGULAR MEETING
WEDNESDAY, DECEMBER 15, 2021
2:00 PM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A Regular meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee), conducted by Zoom teleconference, was called to order in the District Headquarters Conference Room A-124, 5700 Almaden Expressway, San Jose, California, at 2:00 p.m.

1.1 Roll Call.

Committee members in attendance were District 3 Director Richard P. Santos, and District 2 Director Barbara Keegan, Chairperson presiding, constituting a quorum of the Committee.

District 7 Director Gary Kremen was absent.

District 1 Director John Varela attended via teleconference.

Staff in attendance was M. Overland. Staff members participating by teleconference were M. Cook, E. De Anda, A. Fraumeni, R. Gibson, A. Gordon B. Hopper, M. King, C. Kwok-Smith, M. Lugo, A. Mendiola, D. Taylor, S. Tippetts, S. Tran, D. Wickman, K. Yasukawa, and T. Yoke.

Also, in attendance by teleconference was Ms. Denise Callahan, Mr. Greg Matayoshi, and Ms. Mary Kelly, TAP International, Inc. (TAP); Mr. David Alvey, Maze and Associates; and Mr. Jimmy Saladan, Mr. George Skiles, and Ms. Nicole Dyer, Sjoberg Evashenk Consulting, Inc.

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA.

Chairperson Keegan declared time open for public comment on any item not on the agenda.

2.1 Handouts – SBCCC Partnership #33144 Check In (Valley Water/SBCCC).

The Committee requested that staff agendize this item on the January 19, 2022 Committee Meeting.

3. APPROVAL OF MINUTES:

3.1 Approval of Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the October 20, 2021, Regular Committee meeting.

The Committee considered the attached minutes of the October 20, 2021, Committee meeting. It was moved by Director Santos, seconded by Chairperson Keegan, excluding Director Kremen who was absent, and unanimously carried that the minutes be approved.

4. ACTION ITEMS:

4.1 Valley Water Draft Annual Comprehensive Financial Report for the Fiscal Year Ending on June 30, 2021.

Recommendation: Discuss the Valley Water Annual Comprehensive Financial Report (ACFR) for the Fiscal Year (FY) Ending on June 30, 2021, that staff will be recommending for Board acceptance.

Mr. Darin Taylor, Chief Financial Officer, and Mr. David Alvey, Maze and Associates, reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

The Committee received the information without formal action, and noted the following:

- The final report will be presented to the full Board in January 2022; and Mr. Taylor will reach out to Director Kremen to discuss this item before the next Board meeting on January 11, 2022.

4.2 First Quarter Fiscal Year 2021-22 Financial Status Update.

Recommendation: Receive the first quarter Fiscal year 2021-22 financial status update as of September 30, 2021.

Mr. Enrique De Anda, Budget Manager, reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

The Committee noted the information without formal action.

4.3 The 2021 Risk Assessment Report and 2022-2024 Annual Audit Work Plan.

Recommendation: A. Receive and discuss the 2021 Risk Assessment Report and 2022-2024 Annual Audit Work Plan; and
B. Authorize staff to present the 2022-2024 Annual Audit Work Plan to the Board.

Ms. Denise Callahan, TAP International, Inc. (TAP), reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 4.

The Committee received the information, and noted the following:

- TAP addressed the proposed top 10 audits;
- The Committee raised a concern regarding how Valley Water manages inventory management and how this is inherently high-risk; and
- TAP and Ms. Tina Yoke, Chief Operating Officer, addressed the Committee's concern and how Valley Water is monitoring inventory.

It was moved by Director Santos and seconded by Chairperson Keegan, excluding Director Kremen who was absent, and unanimously carried that the Committee authorized staff to present the 2022-2024 Annual Audit Work Plan to the full Board at the next Board meeting.

4.4 Receive a Verbal Status Update Regarding the INFOR Project Implementation.

Recommendation: Receive a verbal status update regarding the INFOR Project implementation.

Mr. Mike Cook, Deputy Administrative Officer, reviewed the information on this item, per the attached Committee Agenda Memo.

The Committee received the information without formal action.

4.5 Review and Discuss the 2021 Board Audit Committee Work Plan.

Recommendation: Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustments to the BAC Work Plan.

Mr. Taylor reviewed the information on the item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

The Committee received the information without formal action, and noted the following:

- The Committee confirmed that the following items will be on the January 19, 2022 BAC Agenda:
 - 2022 Proposed BAC Work Plan;
 - BAC Self-Evaluation;
 - Board Auditor's Final Contract Close-Out Report;
 - The Audit Recommendation Implementation Status Report;
 - The South Bay Clean Creeks Coalition Partnership Grant Discussion;
 - Human Resources Audit Report;
 - BAC Audit Charter Discussion; and
 - Receive an Update on the Pacheco Reservoir Expansion Fact-Finding Investigation.

4.6 Discuss the 2019-2021 Annual Audit Work Plan and Authorize Staff to Transition to the 2022-2024 Annual Audit Work Plan When Approved by the Board.

Recommendation: A. Discuss the 2019-2021 Annual Audit Work Plan; and
B. Authorize staff to transition to the 2022-2024 Annual Audit Work Plan when approved by the Board.

Mr. Taylor reviewed the information on this item, per the attached Committee Agenda Memo.

It was moved by Director Santos and seconded by Chairperson Keegan, excluding Director Kremen who was absent, and unanimously carried that the Committee authorized staff to transition to the 2022-2024 Annual Audit Work Plan when approved by the full Board.

4.7 Receive Information Regarding the New Chief Audit Executive, Sjoberg Evashenk Consulting, Inc. and Acknowledge TAP International's Accomplishments During Their Time as Chief Audit Executive.

Recommendation: Receive information regarding the new Chief Audit Executive, Sjoberg Evashenk Consulting, Inc. and acknowledge TAP International's accomplishments during their time as Chief Audit Executive.

Chairperson Keegan, and Mr. Taylor acknowledged the contributions of TAP during the tenure as Chief Audit Executive, and introduced the new Sjoberg Evashenk Consulting, Inc. as the new Chief Audit Executive.

The Committee noted the information without formal action.

Chairperson Keegan moved the agenda to Item 5 Clerk Review and Clarification of Committee Requests.

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:

5.1 Clerk Review and Clarification of Committee Requests.

Mr. Max Overland, Assistant Deputy Clerk of the Board, read the new Committee Member Requests into the record.

Chairperson Keegan returned agenda to Item 4.8.

4.8 Receive the 2021 Annual Audit Training from the Board's Chief Audit Executive.

Recommendation: Receive the 2021 Annual Audit Training from the Board's Chief Audit Executive.

Ms. Mary Kelly, TAP International, presented the information on this item, per the attached Committee Agenda Memo, and per the information contained in attachment 1.

The Committee received the information without formal action, and noted the following:

- The Committee requested that staff provide Director Kremen with the video portion of this training.

6. ADJOURN:

6.1 Adjourn to Regular Meeting at 2:00 p.m., on January 19, 2022.

Chairperson Keegan adjourned the meeting at 4:00 p.m., to the 2:00 p.m. Regular Meeting on January 19, 2022.

Max Overland
Assistant Deputy Clerk II

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Santa Clara Valley Water District

File No.: 22-0139

Agenda Date: 1/19/2022
Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Review and Discuss the 2022 Board Audit Committee Work Plan.

RECOMMENDATION:

Review and Discuss topics of interest raised at prior Board Audit Committee (BAC) Meetings and make any necessary adjustments to the BAC Work Plan.

SUMMARY:

Per the BAC's Charter, Article III, Paragraph 6.2, The Committee shall, in coordination with Valley Water's Clerk of the Board, develop a proposed Annual Work Plan. Items shall be included in the Annual Work Plan based upon a majority vote of the Committee.

Under direction of the Clerk, Work Plans are used by all Board Committees to increase Committee efficiency, provide increased public notice of intended Committee discussions, and enable improved follow-up by staff. Work Plans are dynamic documents managed by Committee Chairs and are subject to change. Committee Work Plans also serve as Annual Committee Accomplishments Reports.

The proposed 2022 BAC Work Plan reflects the standing topics discussed every year, efforts still under way from 2021, and topics identified specifically for discussion in 2022.

Attachment 1 is the proposed 2022 BAC Work Plan. Upon review, the BAC may make changes to be incorporated into the next revision. At this time, the BAC is requested to approve the proposed 2022 BAC Work Plan and identify changes that will be incorporated into the next version.

ATTACHMENTS:

Attachment 1: Proposed 2022 BAC Work Plan

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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BOARD AUDIT COMMITTEE 2022 WORKPLAN

#	ACTIVITY/SUBJECT	Q1			Q2			Q3			Q4			NOTES/RECOMMENDATIONS
		19-Jan	16-Feb	16-Mar	20-Apr	18-May	15-Jun	20-Jul	17-Aug	21-Sep	19-Oct	16-Nov	21-Dec	
Board Audit Committee Meeting Dates														
	Number of Agenda Items per Meeting Date	8	12	5	5	4	3	3	7	5	2	6	4	Note: For informational purposes only.
	Meeting Dates	•	•	•	•	•	•	•	•	•	•	•	•	Note: The BAC approved a regular meeting schedule for 2022, to meet monthly, on the third Wednesdays at 2:00 p.m.
Board Audit Committee Management														
1	Election of 2022 BAC Chair and Vice Chair		•											Recommendation: Nominate and elect the 2022 Board Audit Committee Chair and Vice Chair.
2	Board Audit Committee Audit Charter		•											<u>Recommendation:</u> Propose modifications to the Board Audit Committee Audit Charter to be presented to the full Board.
3	Review and Update 2022 BAC Work Plan	•	•	•	•	•	•	•	•	•	•	•	•	Recommendation: A. Review and Discuss topics of interest raised at prior Board Audit Committee Meetings and make any necessary adjustments to the Board Audit Committee Work Plan; and B. Approve the updated 2022 Board Audit Committee Work Plan.
4	Discuss Scope of Annual Audit Training from Board Independent Auditor		•											<u>Recommendation:</u> Discuss scope of Annual Audit Training from Board Independent Auditor.
5	Receive Annual Audit Training from Board Independent Auditor				•									<u>Recommendation:</u> Receive Annual Audit Training from Board Independent Auditor.
6	Conduct Annual Self-Evaluation	•	•	•	•									<u>Recommendation:</u> A. Conduct Annual Self-Evaluation; and B. Discuss the Results of the Annual Self-Evaluation; and C. Prepare Formal Report to provide to the full Board. <u>Note:</u> Jan = Discuss the Eval and provide forms; Feb = Discuss the results of the Eval; Mar = Provide a Summary Report of Evals; Apr = Present Eval Results to Full Board
7	Discuss Chief Audit Executive (CAE) Final Contract Close-out Report from TAP International, Inc. (Jan 2022) Receive and Discuss CAE Activity Report to Evaluate Auditor Performance (Starting in Jan 2023)	•												<u>Recommendation for 2022:</u> Receive Final Contract Close-out Report from TAP International, Inc. <u>Recommendation for 2023:</u> Receive and discuss CAE Activity Report from Sjoberg Evashenk to evaluate CAE Performance.

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

BOARD AUDIT COMMITTEE 2022 WORKPLAN

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		19-Jan	16-Feb	16-Mar	20-Apr	18-May	15-Jun	20-Jul	17-Aug	21-Sep	19-Oct	16-Nov	21-Dec	
8	Discuss Extension or Termination of Board Chief Audit Executive (CAE) Contract for Board Independent Auditing Services Prior to Expiration of the Agreement around December 2024													<p>Recommendation:</p> <p>A. Discuss option to extend Board Independent Auditor Contract with TAP International, Inc. for Board Independent Auditing Services currently scheduled to expire effective June 30, 2022; and</p> <p>B. Approve recommendation to the full Board to: 1. Allow the expiration of the Board Independent Auditor Contract with TAP International; or 2. Exercise option to extend Board Independent Auditor Contract with TAP International, Inc.</p> <p>Note:</p> <p>Agreement effective date was 12/27/21 or 1/1/22.</p>
9	Chief Audit Executive - Request for Proposal: Review Panel (Apr 2024)													<p>Note:</p> <p>Review Panel for the role of the Chief Board Auditor will be the BAC members</p>
10	Tri-annual Risk Assessment (CY 2024)													<p>Recommendation:</p> <p>Discuss the scope of work for the 2024 Risk Assessment.</p> <p>Note:</p> <p>Initiate discussions in February 2024; Deliverable due by September 2024</p>
Board Audit Committee Special Requests														
11	External Financial Auditor Meeting with Individual Board members													<p>Note: Schedule as needed.</p>
12	Provide status report to full Board quarterly			•									•	<p>Note: Report to be provided to Board in non-agenda the month after each BAC meeting.</p>
13	Risk Management Organization				•									<p>Note: In October 2021 The BAC suggested pushing discussion on this topic out a few months to allow new District Counsel time to ascertain effectiveness of current organizational structure (assume April 2022).</p> <p>Recommendation:</p> <p>Review and discuss Risk Management Organization.</p>
14	Financial Auditor Selection Parameters	•												<p>Recommendation: Discuss prior to the selection of the next financial auditor</p> <p>Note: Next procurement scheduled for January 2022.</p>
Management and Third Party Audits														
15	Review Draft Audited Financial Statements												•	<p>Recommendation:</p> <p>A. Review draft Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022; and</p> <p>B. Direct staff to have Financial Auditor to contact Board Members and present, if necessary.</p> <p>Note: This is a Nov. agenda item</p>

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BOARD AUDIT COMMITTEE 2022 WORKPLAN

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		19-Jan	16-Feb	16-Mar	20-Apr	18-May	15-Jun	20-Jul	17-Aug	21-Sep	19-Oct	16-Nov	21-Dec	
16	Audit Report of the Water Utility Enterprise Funds for the Fiscal Year								•				<u>Recommendation:</u> Receive and Discuss the Audit Report of the Water Utility Enterprise Funds for the Fiscal Year.	
17	Receive QEMS Annual Internal Audit Report								•				<u>Recommendation:</u> Receive information regarding the Quality and Environmental Management System.	
18	Audit Recommendations Implementation Status	•										•	<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations. <u>Note:</u> This is a December item; January 2022 item was delayed from Dec 2021	
Board Independent Auditor - Sjoberg Evashenk Items														
19	Review and Update Annual Audit Work Plan	•	•	•	•	•	•	•	•	•	•	•	<u>Recommendation:</u> Discuss the Annual Audit Work Plan and update, if necessary.	
Audit - 2019 Contract Change Order Audit														
20	Recommendation Implementation Status (Annual Rpt. in August; Target Completion = TBD)								•				<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.	
Audit - 2020 District Counsel Audit														
21	Recommendation Implementation Status (Annual Rpt. in January; Target Completion = TBD)		•										<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations. <u>Note:</u> This is a January item; February 2022 item was delayed from January	
Audit - 2020 Real Estate Audit														
22	Recommendation Implementation Status (Annual Rpt. in November; Target Completion = TBD)										•		<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.	
Audit - 2020 SCW Program Grants Management														
23	Recommendation Implementation Status (Semi-Annual Rpt. in March and September; Target Completion = June 30,2023)			•						•			<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.	
Audit - 2021 Permitting Best Practices														
24	Recommendation Implementation Status (Annual Rpt. in May; Target Completion = TBD)					•							<u>Recommendation:</u> Receive and discuss a status update on the implementation of audit recommendations.	
Pacheco Reservoir Expansion Investigation														

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BOARD AUDIT COMMITTEE 2022 WORKPLAN

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		19-Jan	16-Feb	16-Mar	20-Apr	18-May	15-Jun	20-Jul	17-Aug	21-Sep	19-Oct	16-Nov	21-Dec	
25	Review Pacheco Project Investigation Progress Report		•										Recommendation: Receive an update on the status of the on-going investigation. Note: Work with District Counsel on this item	
Audit - To Be Determined														
26	Receive notification of initiated Audit												Note: Audit Objectives - What is the objective of this audit?	
27	Review Audit Progress Report												Recommendation: Receive an update on the status of the on-going audit.	
28	Review Audit Draft Report Presentation												Recommendation: Receive and discuss the Final Draft Audit Report.	
29	Review Management's Response to Audit Final Draft Report												Recommendation: A. Receive and discuss the Management Response to the Final Draft Audit Report; and B. Authorize staff work with the CAE to finalize the Audit Report and present it to the Board of Directors.	
Management Audits - PMA, MGO, and 3rd Party Items														
Audit - 2014 Transparency Compliance Audit														
30	Recommendation Implementation Status (Annual Rpt. in November; Target Completion = TBD)											•	Recommendation: Receive and discuss a status update on the implementation of audit recommendations.	
Audit - 2015 Mitigation and Monitoring Compliance Audit														
31	Recommendation Implementation Status (Annual Rpt. in January; Target Completion = TBD)		•										Recommendation: Receive and discuss a status update on the implementation of audit recommendations.	
Audit - 2015 Consultant Contracts Audit														
32	Status Update on the Implementation of Recommendations from the 2015 Consultant Contracts Management Process Audit Conducted by Navigant Consulting, Inc. and the Consultant Contracts Improvement Process.		•						•				Note: Staff CAS update every 6 months. Recommendation: Receive and discuss a status update on the implementation of the recommendations made by Navigant in the 2015 Consultant Contracts Management Process Audit and on the Consultant Contracts Improvement Process.	
Audit - 2019 Lower Silver Creek Audit														
33	Recommendation Implementation Status (Annual Rpt. in February; Target Completion = TBD)		•										Recommendation: Receive and discuss a status update on the implementation of audit recommendations.	
Audit - 2022 Human Resources Audit														
34	HR Audit Report - Review and Comment regarding Management's Response	•											Recommendation: Receive and discuss a status update on the implementation of audit recommendations.	
QEMS Improvements Implementation														
35	Recommendation Implementation Status (Annual Rpt. in August; Target Completion = TBD)								•				Recommendation: Receive and discuss a status update on the implementation of audit recommendations.	
Miscellaneous BAC Work Plan Items														

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BOARD AUDIT COMMITTEE 2022 WORKPLAN

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		19-Jan	16-Feb	16-Mar	20-Apr	18-May	15-Jun	20-Jul	17-Aug	21-Sep	19-Oct	16-Nov	21-Dec	
36	Financial Status - Quarterly Update		•			•			•			•		<p><u>Note:</u> suggested frequency is as follows: February for mid-year review; May for Q3 review; September for unaudited close; November for Q1 review</p> <p>Schedule as needed</p> <p><u>Recommendation:</u> Discuss the Financial Audit</p> <p>Added per Darin's comments at the 12/15/21 BAC Meeting</p> <p><u>Recommendation:</u> Receive and Discuss the SBCCC Partnership Grant Issue</p>
37	Financial Audit - Periodic Update						•							
38	SBCCC Partnership Grant Issue	•												

Note: The • denotes that an item is on the BAC meeting agenda for the corresponding month in which the • is listed. The shading represents that the items have been completed.

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Santa Clara Valley Water District

File No.: 22-0031

Agenda Date: 1/19/2022
Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Board Audit Committee's 2021 Annual Self-Evaluation Process.

RECOMMENDATION:

Discuss Board Audit Committee's Annual Self-Evaluation Process.

SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

On August 27, 2019, the Board approved the BAC Audit Charter to provide detailed guidance regarding how the BAC should carry out its functions and to guide the work of TAP International, Inc.

According to Article 9, paragraph 4 of the BAC Audit Charter, the BAC shall conduct a self-evaluation of its performance annually. The Committee shall conduct the evaluation of its performance to determine whether it is functioning effectively and to discuss with the Independent Auditor any observations related to the effectiveness of the Committee. The Committee shall prepare a formal report based upon each such self-evaluation and shall provide such report to the full Board following its adoption by the Committee.

The Annual BAC Self-Assessment template is provided as Attachment 1 and served as a framework for the BAC to conduct a self-evaluation for its work in calendar year 2020. The purpose of this agenda item is to discuss the annual self-evaluation process that the BAC would prefer to conduct for calendar year 2021.

ATTACHMENTS:

Attachment 1: BAC Self-Evaluation Template.

UNCLASSIFIED MANAGER:

File No.: 22-0031

Agenda Date: 1/19/2022
Item No.: 4.2.

Darin Taylor, 408-630-3068

ANNUAL BOARD AUDIT COMMITTEE SELF-ASSESSMENT

This self-assessment to be completed by Board Audit Committee (BAC) members and BAC invited stakeholders provides a basis for evaluating the performance of the BAC. Follow-up action should be taken as appropriate.

This assessment evaluates BAC governance, composition, operations and relationships.

ASSESSMENT (PLEASE CHECK YES, NO, AND/OR NEEDS ENHANCED PERFORMANCE)

BAC Governance	Yes	No	Needs Enhanced Performance
1. BAC operates pursuant to a written charter and assesses its charter annually?			
2. BAC Members has a clear understanding of the roles and responsibilities of the BAC?			
3. BAC Members obtain the information required for decision-making?			
4. BAC operates openly and with trust among members to resolve issues fully and completely?			
5. BAC reports regularly to the Board of Directors on its activities?			
BAC Composition			
6. BAC acts independently of Valley Water executive management.			
7. BAC is the right size with adequate representation of diverse knowledge, skills and abilities?			
Meetings			
8. BAC holds an adequate number of meetings and scheduled appropriately to facilitate the audit process?			

9. BAC plans meetings of adequate length and all issues are discussed fully.			
10. BAC ensures the right individuals attend to provide input on agenda items.			
Interaction with Stakeholders (Commingled Responsibilities)			
11. BAC maintains open lines of communication with the Valley Water Board and the Independent Auditor?			
12. BAC reviews annual audit work plans, ensuring attention to Board priority areas.			
13. Board external financial auditors communicate routinely with the BAC.			
14. BAC does not provide management direction to Valley Water staff.			
15. BAC allows independent auditor and external auditors to raise sensitive issues in compliance with the Brown Act and the information is received constructively.			
16. BAC discusses the audit process, encouraging candid discussions for continuous process improvement.			
17. BAC reviews key decisions made by management that may impose material risk to Valley Water business areas.			
18. BAC discusses the audit results with the Independent Auditor and External Auditor and reviews management's response for proposed implementation of audit recommendations to ensure alignment to Board priorities, financial feasibility, strategic objectives, and efficiency and effectiveness of operations.			
19. BAC reviews the audit results with the independent auditor and external auditors.			

Continuous Monitoring			
20. BAC has enough resources and availability to carry out responsibilities defined by the BAC Charter.			
21. BAC determines whether audit recommendations have been implemented by Valley Water management.			

Comments

Suggestions:

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Santa Clara Valley Water District

File No.: 22-0032

Agenda Date: 1/19/2022
Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Receive Final Contract Close-out Report from TAP International, Inc.

RECOMMENDATION:

Receive Final Contract Close-out Report from TAP International, Inc.

SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits. On May 23, 2017, the Board approved an on-call consultant agreement with TAP International, Inc. (TAP) for Board independent auditing services. The agreement expired on December 31, 2021.

Instead of providing an annual activity report, which would be used to evaluate the performance of the Board's Auditor, TAP has provided a final close-out report regarding their activities during 2021. The purpose of this agenda item is to receive the 2021 Independent Auditor Final Contract Close-out Report (Attachment 1) from TAP.

ATTACHMENTS:

Attachment 1: Final Contract Close-out Report.

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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TAP INTERNATIONAL, INC.
TRAINING ANALYTICS PERFORMANCE

2021 Independent Auditor Contract Close-Out Report

December 2021

TAP International, Inc.
3436 American River Drive, Ste 9
Sacramento, CA 95864
www.tapinternational.org

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SECTION I: INDEPENDENT AUDITOR OVERVIEW

In 2016, the Board of Directors initiated an independent audit function to support their efforts to advance open and accountable government through accurate, independent, and objective audits and assessments that seek to improve the economy, efficiency, and effectiveness of Valley Water. In 2017, the Santa Clara Valley Water District (Valley Water) Board of Directors approved the selection of its first independent auditor, TAP International. TAP International reported to and was accountable to the Board Audit Committee (Audit Committee) and the full Board of Directors.

As described in Valley Water's Request for Proposal and subsequently required under the contract executed in 2018, the scope of services required of the Independent Auditor included:

- Providing advice and recommendations on audits of government programs
- Developing an annual audit program, calendar, and budget
- Conducting audits as directed by the Audit Committee
- Preparing and delivering formal and informal audit reports and presentations
- Attending Audit Committee and Board meetings
- Meeting with District staff as needed
- Providing additional staff resources as determined by the Audit Committee
- Conducting certain audits as directed by the Board

Section 9 of the Committee's Audit Charter requires Audit Committee evaluation of Auditor performance. The Committee shall evaluate the performance of the Independent Auditor and any other Auditor retained by the Board. To implement this requirement, the Board Audit Committee has tasked the Independent Auditor to prepare an annual report of the audit-related activities completed throughout the year.

TAP International is in its final year of its contract with Valley Water, ending December 31, 2021, as it elected not to propose on Valley Water's recent solicitations for audit services. TAP International supports best practices that call for periodic rotation of auditors.

SECTION II: 2021 INDEPENDENT AUDITOR ACCOMPLISHMENTS

Below is a summary of accomplishments and highlights resulting from Independent Board Auditor activities for the calendar year 2021.

A. AUDIT SUPPORT ACTIVITIES

1. Development of the Board Audit Committee audit charter

In 2018, the Independent Auditor worked with the Audit Committee and Valley Water staff to provide information and other support services for the development of an Audit Charter. An Audit Charter serves to provide a framework for providing the Audit Committee oversight of the governance, risk management, and audit activities of Valley Water. The Audit Charter also describes the general responsibilities of the Independent Auditor.

TAP International worked with the Board Audit Committee and District Counsel staff to update the Audit Charter as follows:

- ARTICLE III – OPERATIONAL PRINCIPLES, Section 3: The Auditor shall disclose the details of any audit-related impairment in fact or in appearance to the Committee (e.g., one which threatens the ability to carry out audit responsibilities in an unbiased manner, including matters of audit identification, scope, procedures, frequency, timing, and report content).
- ARTICLE VIII – ANNUAL FINANCIAL STATEMENT AUDIT, Section 3: Financial Statement audit results and pertinent information identified during the course of the audit shall be communicated, in writing or verbally, to the Board Audit Committee. For purposes of this section, “pertinent information” is defined as issues, concerns, practices, programs, or activities that may pose a reputational, operational, financial, or service delivery risk to Valley Water regardless of the magnitude of the apparent risk, as well as any issue deemed pertinent in the auditor’s professional judgment.
- ARTICLE IX – PERFORMANCE MANAGEMENT, Section 3 – Education. While the Committee shall endeavor to schedule and complete such training annually, some component of training must be scheduled and completed by the Committee at least every two years.

2. Completion of 2022-2024 agency-wide audit risk assessment

Under Article III, Operating Principles, Section 7, the Audit Committee shall endeavor to complete a Valley Water-wide risk assessment, at a minimum, tri-annually and to annually update Valley Water-wide audit risk assessment to include objectively recommended audits ranked based upon the potential level of risk to Valley Water. An agency-wide risk assessment serves as a tool for the Board Audit Committee to prioritize audits and to strategically manage available audit funding. In addition to the development of the Audit Charter, implementing a risk assessment is a critical activity for effective implementation of the independent audit function.

TAP International completed the first risk assessment in September 2018 and the second risk assessment in December 2021. The approach of the risk assessment incorporated Board Director Kremen’s input to survey Valley Water stakeholders at federal, state, and local public agencies as well as contractors, community organizations, and grantees. The input of these stakeholders identified key areas of concern that were further assessed for likelihood and degree of potential risks to Valley Water. In total, over 100 stakeholders, various Board Directors, and Valley Water executives, managers, and staff participated in the risk assessment.

3. Development of annual audit work plan

The annual audit work plan serves as a tool for the Audit Committee to manage, monitor, and track the audit activities of the Independent Auditor and other audit activities directly implemented by Valley Water management. The results of the 2021 risk assessment aided in the development of the 2022-2024 annual audit work plan that was presented to the Board Audit Committee in December 2021.

The current annual audit work plan includes 31 potential audits in priority order that address areas, such as capital project planning, inventory management, and information technology. It is expected that Valley Water management will address issues and concerns raised by the 2021 risk assessment to help reduce potential risks and the need for subsequent audits. TAP International was able to remove six of the remaining 13 audits from the 2018 annual work plan because of management’s enhancement to operations.

4. Participation in Board Audit Committee meetings

TAP International attended all 11 scheduled Audit Committee meetings and one Special Meeting. The services provided included:

- Participating in Board Audit Committee planning meetings (24 pre and post meetings)
- Providing audit process guidance
- Providing input on the Committee’s self-evaluation
- Providing progress reports on the Independent Auditor’s activities

5. Completion of Board Audit Committee training

Section IX of the Audit Charter states the Independent Auditor shall provide the Audit Committee training and other knowledge transfer on some component of audit principles, practices, and standards. In 2021, TAP International completed two training sessions for the Audit Committee. The first training session provided information on the audit process, and the second provided training on grants management and administration from the perspective of a grantor and grantee. These training sessions were open to the public and Valley Water staff.

6. Attendance to Board of Director meetings

TAP International attended selected Board Meetings to meet Audit Committee expectations and to comply with contractual requirements. Of the 22 Regular Board Meetings (excluding joint meetings) held in 2021, the Independent Auditor attended 14 (63%) of them. The primary purpose of Board meeting attendance was to continuously monitor risks to Valley Water, collect data applicable to ongoing or planned audits, and to address agenda items directly applicable to TAP International audit activities. See Table 1 below.

Table 1: Board Meeting Attendance*

Reason for Attendance	Number of Board Meetings
Agenda item(s) directly related to work performed by TAP International, or the agenda item(s) directly relevant to audit planning or current audits underway	6
Agenda item(s) required audit monitoring	8

Charges to attend Board of Director meetings were billed under task orders 34 and 52 totaling \$5,531. Another \$1,388 were charged under task order 58 because meeting attendance was directly related to the 2021 risk assessment project.

When the Independent Auditor was not in attendance at Board of Director meetings, the Independent Auditor monitored the meetings through agenda review, documentation analysis, and video review across another eight Regular Meetings and six Special Meetings. Charges incurred for these activities totaling \$3,600 were not billed to Valley Water. TAP International believes these tasks are necessary to effectively perform its role as the Board's Independent Auditor and opted to provide the services without charge to Valley Water.

B. AUDIT ACTIVITIES

7. Completion of Performance Audits

TAP International completed one performance audit and fully subcontracted another performance audit.

Community Projects Review Unit: Opportunities to Improve Permit Processing.

The audit report, issued in May 2021, found Valley Water's permitting process is not meeting customers' or its own expectations for timelines and communication, which can be addressed with the use of better tools, restructuring and collaboration. Various other local agencies have adopted alternative strategies and tools that could benefit Valley Water, including creating online portals to facilitate the submission of permit applications and the communication of the review status. In other areas of Community Projects Review Unit (CPRU) operations, the permit fee schedule needs updating and the establishment of a robust framework of financial management internal controls for invoicing and collection of payments.

The report contains 14 recommendations that will help CPRU streamline its permit process, improve communication with applicants, update its fee schedule for permit processing activities, and ensure the timely invoicing and recording the payment of invoices. Since the report was issued, Valley Water took immediate steps to address audit recommendations. Formal follow up is necessary to independent verify the progress made.

Performance Audit of Valley Water – Grants Management and Administration: Safe, Clean Water and Natural Flood Protection Program.

TAP International fully subcontracted this audit at the request of the Board of Directors. The report, issued in February 2021, describes many opportunities to better match Valley Water's level of oversight to the level of risks the program faces and to strengthen some grant monitoring activities. The audit found:

- The Safe, Clean Water program's grant funding led to positive community outcomes,
- Valley Water has a lengthy grant agreement execution process that grantees reported can negatively impact projects, and
- Valley Water took longer to pay invoices than its 60-day goal.

The report contains 11 recommendations designed to "right-size" the grants administration and management process, provide for orientation for new grantees, enhanced monitoring, collect of grantee and partnership feedback, and defined internal control responsibilities.

The subcontractors reported that the identified improvement opportunities can better align Valley Water's efforts with best practices in grants management.

Since the report was issued, Valley Water took immediate steps to address the audit recommendations. Formal follow up audits are necessary to independently verify the progress made.

SECTION III: 2021 INDEPENDENT AUDITOR CONTRACT INFORMATION AND OTHER ACTIVITIES

8. Task Order Completion

In 2021, TAP International completed 22 task orders. Of the 61 task orders issued throughout the contract period, TAP International completed 60 of them and the remaining task order was subsequently cancelled*. See Table 2 for task orders completed by contract year.

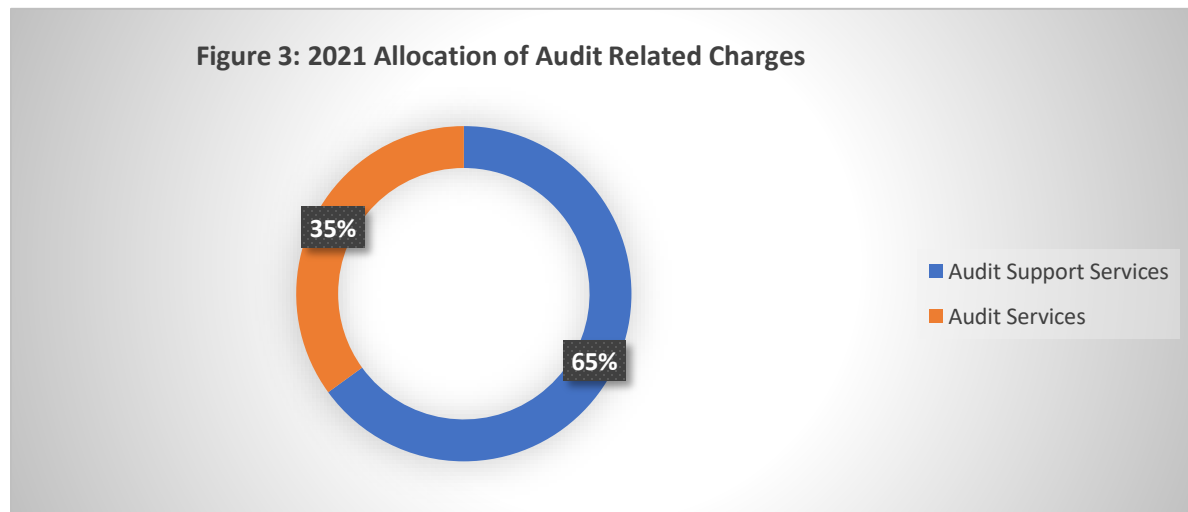
Table 2: Task Order History

Year	Task Orders Issued	Completed	Cancelled
2017	3	3	0
2018	10	9	0
2019	18	18	1*
2020	12	8	0
2021	18	22	0
Total	61	60	1

*A planned IT related audit was cancelled due to new initiatives implemented by Valley Water.

9. 2021 Financial Overview

In 2021, TAP International charged Valley Water \$326,405 for audit and support services. Figure 3 shows the allocation of these charges.



Charges that were not billed to Valley Water for services performed by TAP International staff totaled about \$8,900, as shown in Table 4 below.

Table 4: 2021 Expenses Not Charged to Valley Water

Audit Services	\$2,108
Audit Support Services	
Board meeting attendance,	\$3,600
Miscellaneous (email response, grant management audit liaison activities)	\$3,215
Total Charges Written Off in Excess of Task Order Budget, Or Not Billed	\$8,923

10. Contract reconciliation

TAP International’s contract at expiration has \$246,736 remaining, as shown in Table 5 below.

Table 5: Independent Auditor Charges – Contract close out

Total Contract Budget	\$1,255,000
2017-2020 charges	\$681,859
2021 Audit Services	\$116,000
2021 Audit Support Services	\$210,405
Contract Budget Remaining at Contract Close-Out	\$246,736

11. Completion of quality assurance review

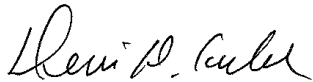
Generally Accepted Government Auditing Standards (GAGAS) require audit organizations conducting engagements in accordance with GAGAS to complete an external peer review conducted by reviewers independent of the audit organization being reviewed. The peer review should be sufficient in scope to provide a reasonable basis for determining whether, for the period under review, (1) the reviewed audit organization’s system of quality control was suitably designed and (2) the organization is complying with its quality control system so that it has reasonable assurance that it is performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects. Under section 5.84, an audit organization should obtain an external peer review at least once every three years.

TAP International complied with GAGAS requirements and successfully completed its 2021 peer review. The peer review report shown in Appendix A demonstrate that the audits performed by TAP International met all required auditing standards. Completion of the peer review was not charged to the Valley Water because it is a standard requirement among all audit organizations.

SECTION IV: ACKNOWLEDGEMENTS

TAP International is grateful to the Board of Directors and the Board Audit Committee for allowing TAP International to serve the public and support Valley Water priorities and goals by helping to enhance operations and programs through audits and best practices. We commend Valley Water for its continuous efforts to utilize the audit process to improve operations. We hope to work with all of you again in the future.

Respectfully submitted,



Denise Callahan
President and Principal Consultant
TAP International, Inc.

APPENDIX A: TAP INTERNATIONAL 2021 PEER REVIEW REPORT

December 14, 2021

VIA EMAIL

Denise Callahan, President
TAP International, Inc.
3436 American River Drive., STE 9
Sacramento, CA 95864

Dear Ms. Callahan:

Transmitted herewith is a summary of the results of the external quality control review (Peer Review) of TAP International, Inc. for the period covering January 1, 2019 to December 31, 2021. The review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and comported with the guidelines issued by the Association of Local Government Auditors.

Based on the Peer Review, it is determined that TAP International, Inc.'s internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for applicable reports issued during the review period. Due to variances in individual performance and judgement, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Sincere thanks to you and your staff for your professionalism, cooperation, and responsiveness during the course of this review.

Respectfully,



Matthew Helm, CIA, CFE



HELM AUDIT CONSULTING

EXTERNAL QUALITY CONTROL
REVIEW OF
TAP INTERNATIONAL, INC.

FOR THE PERIOD JANUARY 1, 2019 - DECEMBER 31, 2021

CONDUCTED IN ACCORDANCE WITH *GOVERNMENT AUDITING*
STANDARDS AND GUIDELINES ISSUED BY THE
ASSOCIATION OF LOCAL GOVERNMENT AUDITORS

1. RESULTS IN BRIEF

The purpose of this companion report is to provide additional detail on the external quality control review (Peer Review) of TAP international, Inc. for the period covering January 1, 2019 to December 31, 2021. Based on the Peer Review, TAP International, Inc. received a rating of “pass.” TAP international maintains policies, procedures, and general practices that are consistent with *Government Auditing Standards*. Peer Review found no deficiencies, and the information in Section 3 below provides key observations based on the Peer Review.

2. BACKGROUND

TAP international, Inc. is an independently owned and operated professional services firm that provides performance audit, non-audit services, and training for clients. During the scope period, the firm conducted seven performance audits subject to adherence to *Government Auditing Standards*.

3. KEY REVIEW OBSERVATIONS

- a. **Policies and Procedures-** TAP international maintains an internal policy and procedures documents that comports directly with applicable sections of *Government Auditing Standards*. The firm updates the document periodically, as needed to reflect updates to *Government Auditing Standards*. Peer Review found no deficiencies or gaps in the policies and procedures, and commends TAP International for the clarity and thoroughness of the document.
- b. **Quality Assurance-** Peer Review assessed TAP International’s overall quality assurance framework and reviewed selected performance audit engagements to assess how the framework was applied in practice. The overall quality assurance framework is set forth in the firm’s internal policy and procedures document, and requires completion of a quality assurance checklist at the completion of each performance audit to ensure compliance with *Government Auditing Standards*. Peer Review found that these processes were followed in the selected engagements reviewed. Peer Review found that the audit workpapers for each of the reviewed engagements were thorough, well-organized, and consistently reviewed by supervisor. Additionally, staff demonstrated a thorough understanding of the quality assurance process, as it pertains to *Government Auditing Standards*. Peer Review found no deficiencies in the overall quality assurance framework, nor in the audits selected for individual review.

- c. **Independence**- TAP International maintains a thorough process to ensure independence, as defined by *Government Auditing Standards*. The process begins with a discussion at the outset of determining whether to respond to a request for proposal for an audit engagement. Further, the firm's policies and procedures document, and engagement-specific workpapers provide sufficient attestation with respect to independence issues.
- d. **Training and Staff Performance Evaluation**- Peer Review determined that staff received requisite training during the scope period, and that training logs were sufficient and compliant with *Government Auditing Standards*. Further, Peer Review found that the firm takes several steps to remain current with updated *Government Auditing Standards* and that all staff receive training on updates to the standards. With respect to general staff performance evaluations, staff receive feedback throughout the year, and at a year-end strategy session. Importantly, training and developmental opportunities are discussed and agreed upon during the year-end strategy session.

4. SCOPE AND METHODOLOGY

The scope of this Peer Review covered the period from January 1, 2019 to December 31, 2021. Peer Review performed the following steps to conduct the assessment:

- a. Reviewed previous peer review for the period covering January 1, 2016 to December 31, 2018.
- b. Reviewed TAP International, Inc's responses to relevant forms contained Association of Local Government Auditor's *Peer Review Guide for Assessing Conformance with Government Auditing Standards, 2019 Revision*.
- c. Reviewed TAP International internal policy and procedures manual to assess conformance with *Government Auditing Standards*.
- d. Reviewed staff training logs to verify staff had received requisite hours of training, per *Government Auditing Standards*.
- e. Reviewed TAP International's overall framework for ensuring independence and related documentation.

- f. Assessed overall quality assurance framework and reviewed selected performance audit engagements of varying scope, complexity, length, and audit staff leadership from throughout the scope period.

- g. Conducted interviews with TAP International audit staff and Chief Audit Executive regarding quality assurance, independence, training and evaluation, and specific engagement issues.

5. PEER REVIEWER

Matthew Helm, Certified Internal Auditor, Certified Fraud Examiner, conducted this Peer Review during December 2021.

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Santa Clara Valley Water District

File No.: 22-0111

Agenda Date: 1/19/2022

Item No.: 4.4.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Receive and Discuss a Status Update on the Implementation of Audit Recommendations.

RECOMMENDATION:

Receive and discuss a status update on the implementation of audit recommendations.

SUMMARY:

The Board Audit Committee (BAC) was established to assist the Board of Directors (Board), consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

Currently there are a total of 66 currently pending audit recommendations represented in the table below. The full description of the 66 pending audit recommendations is provided as Attachment 1.

Audit Name	Total Number of Recommendations	# of Recommendations Not Selected for Further Action	%	# of Recommendations Either Pending or Underway	%	# of Recommendations Either Completed or Implemented	%
2011 Diversity and Inclusion Audit	54	0	0%	0	0%	54	100%
2014 Staff Resources Plan - Phase I	46	4	9%	0	0%	42	100%
2014 Values and Ethics Team	31	1	3%	0	0%	30	100%
2014 Treated Water Revenue Audit	28	2	7%	0	0%	26	100%
2014 Transparency Compliance Audit	22	2	9%	2	9%	18	90%
2015 Mitigation and Monitoring Compliance Audit	15	0	0%	1	7%	14	93%
2015 Consultant Contracts Audit	11	0	0%	8	73%	3	27%
2015 Staff Resources Plan - Phase II	8	0	0%	0	0%	8	100%
2017 Safe, Clean Water Audit	12	0	0%	0	0%	12	100%
2019 Lower Silver Creek Audit	27	0	0%	16	59%	11	41%
2019 Contract Change Order Audit	7	0	0%	6	86%	1	14%
2020 District Counsel Audit	5	0	0%	3	60%	2	40%
2020 Real Estate Services Audit	13	0	0%	10	77%	3	23%
2020 Safe, Clean Water Program	11	0	0%	6	55%	5	45%
2021 Permitting Best Practices Audit	14	0	0%	14	100%	0	0%
TOTALS:	204	0	0%	66	32%	138	67%

A brief explanation of remaining recommendations to be addressed starting with the oldest audit to the newest audit is as follows:

-
- In 2014, TAP conducted the Transparency Compliance Audit that resulted in 22 recommendations that the Board of Directors and Chief Executive Officer considered implementing to advance to the next generation of transparency and accountability activities. Currently, there are 2 remaining audit recommendations assigned to the Chief Executive Officer involving structural and operational changes.
 - In 2015, Panorama Environmental, Inc., conducted the Mitigation and Monitoring Compliance audit that resulted in 15 recommendations based on Valley Water's operations and maintenance activities and capital projects in the Watershed Management and Water Utility divisions, and included all mitigation associated with Valley Water's multi-year Stream Maintenance Program. Currently there is 1 remaining audit recommendation that is pending Maximo upgrades.
 - In 2015, Navigant Consulting, Inc., conducted the Consultant Contracts Audit that resulted in 11 recommendations based on the extent to which compliance issues have been present during the review period (2009 - 2014), and areas of improvement to the "as-is" post-award contract management framework (including relevant policies, processes, and protocols). Currently there are 8 remaining audit recommendations pending completion or implementation.
 - In 2019, PMA Consultants, LLC conducted the Lower Silver Creek Audit that resulted in 27 recommendations based on a review of: (1) allegations of conflict of interest, fund reallocation, and firewall; (2) financial allegations; (3) District Attorney investigation; (4) sole sourcing; and (5) performance review. Currently there are 16 remaining audit recommendations with entirely new audit recommendation owners researching and developing plans for implementation.
 - In 2019, TAP International Inc., (TAP) conducted the Contract Change Order Audit that resulted in 7 recommendations to enhance change order management and administration activities for very large capital construction projects. Currently there are 6 audit recommendations that remain pending. A status update and review of these pending audit recommendations was discussed at the November 18, 2020 BAC meeting.
 - In 2020, TAP International Inc., conducted the District Counsel Audit that resulted in 5 recommendations to improve service delivery and performance through an enhanced operating strategy, implementing structural and process improvement changes that will enhance the efficiency and effectiveness of legal services provided to Valley Water's operational and administrative units. Presentation of the District Counsel Audit final report was received and approved by the Board Audit Committee on December 16, 2020 and presented to the full Board at the January 26, 2021 Board meeting. Currently 3 audit recommendations remain pending.
 - In 2020, TAP International, Inc., conducted the Real Estate Services Audit that resulted in 13 recommendations to minimize undue hardships to property owners, enhance the timeliness of real estate transactions, increase revenue, and improve transparency and accountability of

Real Estate Services Unit current operations. Currently 10 audit recommendations remain pending. Presentation of the Real Estate Services Audit final report was approved and recommended by the Board Audit Committee on October 21, 2020 and presented to the full Board at the November 10, 2020, Board meeting.

- On September 2, 2020 TAP International, Inc., along with subconsultants Greta McDonald and Drummond Kahn conducted the Safe, Clean Water Program Grants Management Performance Audit to assess whether Valley Water could provide assurance that risks are being managed appropriately and whether the department's internal control environment is operating effectively to ensure the safeguarding of public funds, with the focus on improving grant management operations and aligning current processes with best practices. Additionally, it assessed the timeliness of grant/contract approvals, and grant payments. Presentation of the Safe, Clean Water Program Grant Management Audit final report was approved and recommended by the Board Audit Committee on January 13, 2021 and presented to the full Board at the March 23, 2021, Board meeting. The audit identified 11 recommendations to enhance operating effectiveness and identify opportunities to incorporate best practices. Currently 6 audit recommendations remain pending. A status update and review of these pending audit recommendations was discussed at the September 15, 2021 BAC meeting.
- On October 13, 2020 TAP International Inc. was requested to conduct the Permitting Best Practices Audit that resulted in 14 recommendations to enhance communication and processing speed, introduce best practices where appropriate, and improve the customer experience. Presentation of the Permitting Best Practices Audit final report was approved and recommended by the Board Audit Committee on May 26, 2021 and presented to the full Board at the July 13, 2021 Board meeting. Currently all 14 audit recommendations remain pending.

ATTACHMENTS:

Attachment 1: Audit Recommendations Tracking Table

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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Audit Recommendations Status as of January 2022



9 Audits Total

66 Pending Audit Recommendations Total

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2 Pending Recommendations	
2015 Mitigation and Monitoring Compliance Audit	6
1 Pending Recommendation	
2015 Consultant Contracts Audit	8
8 Pending Recommendations	
2019 Lower Silver Creek Audit	18
16 Pending Recommendations	
2019 Contract Change Order Audit	28
6 Pending Recommendations	
2020 District Counsel Audit	38
3 Pending Recommendations	
2020 Real Estate Services Audit	41
10 Pending Recommendations	
2020 Safe, Clean Water Program Grant Management Audit	51
6 Pending Recommendations	
2021 Permitting Best Practices Audit	59
14 Pending Recommendations	

BRIEF OVERVIEW

Audit Name	Total Number of Recommendations	# of Recommendations Not Selected for Further Analysis	%	# of Recommendations Either Pending or Underway	%	# of Recommendations Either Completed or Implemented	%
2011 Diversity and Inclusion Audit	54	0	0%	0	0%	54	100%
2014 Staff Resources Plan - Phase 1	46	4	9%	0	0%	42	100%
2014 Values and Ethics Team	31	1	3%	0	0%	30	100%
2014 Treated Water Revenue Audit	28	2	7%	0	0%	26	100%
2014 Transparency Compliance Audit	22	2	9%	2	9%	18	90%
2015 Mitigation and Monitoring Compliance Audit	15	0	0%	1	7%	14	93%
2015 Consultant Contracts Audit	11	0	0%	8	73%	3	27%
2015 Staff Resources Plan - Phase II	8	0	0%	0	0%	8	100%
2017 Safe, Clean Water Audit	12	0	0%	0	0%	12	100%
2019 Lower Silver Creek Audit	27	0	0%	16	59%	11	41%
2019 Contract Change Order Audit	7	0	0%	6	86%	1	14%
2020 District Counsel Audit	5	0	0%	3	60%	2	40%
2020 Real Estate Services Audit	13	0	0%	10	77%	3	23%
2020 Safe, Clean Water Program Grant Management	11	0	0%	6	55%	5	45%
2021 Permitting Best Practices Audit	14	0	0%	14	100%	0	0%
TOTALS:	304	9	3%	66	22%	229	75%

2014 TRANSPARENCY COMPLIANCE AUDIT

In 2014, TAP International Inc., conducted the Transparency Compliance Audit that resulted in 22 recommendations that the Board of Directors and Chief Executive Officer considered implementing to advance to the next generation of transparency and accountability activities. Currently, there are 2 remaining audit recommendations assigned to the Chief Executive Officer involving structural and operational changes.

2015 MITIGATION AND MONITORING COMPLIANCE AUDIT

In 2015, Panorama Environmental, Inc., conducted the Mitigation and Monitoring Compliance audit that resulted in 15 recommendations based on Valley Water's operations and maintenance activities and capital projects in the Watershed Management and Water Utility divisions, and included all mitigation associated with Valley Water's multi-year Stream Maintenance Program. Currently there is 1 remaining audit recommendation that is pending Maximo upgrades.

2015 CONSULTANT CONTRACTS AUDIT

In 2015, Navigant Consulting, Inc., conducted the Consultant Contracts Audit that resulted in 11 recommendations based on the extent to which compliance issues have been present during the review period (2009 – 2014), and areas of improvement to the "as-is" post-award contract management framework (including relevant policies, processes, and protocols). Currently there are 8 remaining audit recommendations pending completion or implementation.

2019 LOWER SILVER CREEK AUDIT

In 2019, PMA Consultants, LLC conducted the Lower Silver Creek Audit that resulted in 27 recommendations based on a review of: (1) allegations of conflict of interest, fund reallocation, and firewall; (2) financial allegations; (3) District Attorney investigation; (4) sole sourcing; and (5) performance review. Currently there are 16 remaining audit recommendations with entirely new audit recommendation owners researching and developing plans for implementation.

2019 CONTRACT CHANGE ORDER AUDIT

In 2019, TAP International Inc., conducted the Contract Change Order Audit that resulted in 7 recommendations to enhance change order management and administration activities for very large capital construction projects. Currently there are 6 audit recommendations that remain pending. A status update and review of these pending audit recommendations was discussed at the November 18, 2020 Board Audit Committee meeting.

2020 DISTRICT COUNSEL AUDIT

In 2020, TAP International Inc., conducted the District Counsel Audit that resulted in 5 recommendations to improve service delivery and performance through an enhanced operating strategy, implementing structural and process improvement changes that will enhance the efficiency and effectiveness of legal services provided to Valley Water's operational and administrative units. Presentation of the District Counsel Audit final report was received and approved by the Board Audit Committee on December 16, 2020 and presented to the full Board at the January 26, 2021 Board meeting. Currently 3 audit recommendations remain pending.

2020 REAL ESTATE SERVICES AUDIT

In 2020, TAP International, Inc., conducted the Real Estate Services Audit that resulted in 13 recommendations to minimize undue hardships to property owners, enhance the timeliness of real estate transactions, increase revenue, and improve transparency and accountability of Real Estate Services Unit current operations. Currently 10 audit recommendations remain pending. Presentation of the Real Estate Services Audit final report was approved and recommended by the Board Audit Committee on October 21, 2020 and presented to the full Board at the November 10, 2020, Board meeting.

2020 SAFE, CLEAN WATER PROGRAM GRANT MANAGEMENT AUDIT

On September 2, 2020, TAP International, Inc., along with subconsultants Greta McDonald and Drummond Kahn conducted the Grants Management Performance Audit to assess whether Valley Water could provide assurance that risks are being managed appropriately and whether the department's internal control environment is operating effectively to ensure the safeguarding of public funds, with the focus on improving grant management operations and aligning current processes with best practices. Additionally, it assessed the timeliness of grant/contract approvals, and grant payments. Presentation of the Safe, Clean Water Program Grant Management Audit final report was approved and recommended by the Board Audit Committee on January 13, 2021 and presented to the full Board at the March 23, 2021, Board meeting. The audit identified 11 recommendations to enhance operating effectiveness and identify opportunities to incorporate best practices. Currently 6 audit recommendations remain pending. A status update and review of these pending audit recommendations was discussed at the September 15, 2021 Board Audit Committee meeting.

2021 PERMITTING BEST PRACTICES AUDIT

On October 13, 2020, TAP International Inc. was requested to conduct the Permitting Best Practices Audit that resulted in 14 recommendations to enhance communication and processing speed, introduce best practices where appropriate, and improve the customer experience. Presentation of the Permitting Best Practices Audit final report was approved and recommended by the Board Audit Committee on May 26, 2021 and presented to the full Board at the July 13, 2021, Board meeting. Currently all 14 audit recommendations remain pending.

2014 TRANSPARENCY COMPLIANCE AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes

2014 TRANSPARENCY COMPLIANCE AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
CEO Rick Callender	2	Reorganize the Internal Audit Unit to formulate a Business Intelligence Unit that includes business intelligence analysis and program evaluation in support of continuous process improvement efforts and performance monitoring. To support business analysis activities, assign at least three additional positions.	<p>11/22/16: To be re-evaluated. As its performance management efforts continue to improve, the District will evaluate necessary resources subject to program needs and to staff planning and budgeting processes.</p> <p>10/17/18: Still to be re-evaluated. Recommendation to remain open.</p> <p>7/2/19: Per 5/3/19 Chief's Meeting, directed to obtain a third-party internal auditor to conduct QEMS & specialized technical audits. Also, considering adjusting the frequency of the internal audits. This will be revisited after the Contract Change Order Audit is completed.</p>
CEO Rick Callender	19	Meet on a quarterly basis with District leadership, mid-level managers, and staff to analyze performance data to assess the District's progress and identify improvements in processes to accomplish the District's key strategic goals.	<p>11/22/16: On hold. Review the measures and process, as part of the District-wide effort to enhance performance measurement, and implement improvements, such as this recommendation.</p> <p>10/17/18: Round table discussions have been incorporated into MLT meeting. Will look into formalization of performance data discussion in future meetings.</p> <p>7/2/19: Recommendation to stay open. Look into ways to incorporate current performance data into MLT/LT meetings.</p>

2015 MITIGATION AND MONITORING COMPLIANCE AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes

2015 MITIGATION AND MONITORING COMPLIANCE AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
Senior Water Resource Specialist - Doug Titus Environmental Planning UM - Kirsten Struve Environmental Services Manager-Watershed - Scott Akin Water Resources Planning and Policy UM - Afshin Rouhani Environmental Health & Safety UM - Larry Lopez	2	Consolidate the Mitigation Tracking Databases and include a GIS Element.	<p>7/1/15: The District currently has multiple databases that track varying levels of environmental permitting and CEQA requirements. The District Permit Management System (DPMS) was developed to track permit conditions and compliance with those conditions, however; it is not used consistently, does not include a GIS element, and does not have a simple method for accessing mitigation monitoring data. We agree that there should be one District-wide database that tracks permit requirements including mitigation obligations. Additionally, there should be clear procedures and processes in place to ensure the database is effective and is utilized as intended. Action: Recommend the CEO create a cross-functional team to evaluate current District permitting and mitigation databases and make recommendations for inclusion into the IT Master Plan. Due Date: 8/30/15</p> <p>7/25/18 (K.L. and L.P.): Description from 7/1/15 still applies. Recommendation still pending.</p> <p>5/2/19 (Doug Titus): In addition to 7/1/15 response, mitigation databases include the Stream Maintenance Program (SMP), SCVWD Native Plant Mitigation Sites (GIS-based), and continued construction of EM-IMS (water temperature, Hg, wildlife, and fisheries data available). Recent discussions involve integrating Maximo with its planned upgrade and consolidation of environmental staff in Watersheds. A cross-functional team was formed and meets quarterly (prior meeting was 4/25/19).</p> <p>2/10/20 (D.T.): Same update from 5/2/19 still applies. Recommendation still pending.</p> <p>9/15/20 (D.T.): Same status as 5/2/19, EM-IMS continues to be developed, and is waiting for Maximo upgrades to investigate linkages. The Program/Permit Coordination team last met on 4/7/20.</p>

2015 MITIGATION AND MONITORING COMPLIANCE AUDIT

Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>12/7/21: SMP is the primary mitigation database for Watershed O&M activities. The SMP database has been fully integrated with MAXIMO as of 06/2020. Current enhancement activities include development of geospatial data collection capabilities through Mobile Maximo scheduled for completion in spring of 2022. Development of a geospatial cloud application is underway and will allow internal and external users to access SMP historical data, perform regulatory approvals and access program reporting from a customizable user interface. This enhancement is scheduled to go live by March 2022. Additionally, a partnership agreement has been entered into with San Francisco Estuary Institute (SFEI) to develop a data transfer tool to allow the SMP database to share watershed data with SFRWQCB's EcoAtlas platform. This will make much of the SMP data available to the general public. EM-IMS is a non-SMP database for water temperature, Hg, wildlife, fisheries, and selected WUE biological surveys. The SCVWD Native Plant Mitigation Sites (GIS-based) continues to be updated with locations of jurisdictional habitat mitigation sites as they are established for capital projects. Capital projects each have multiple mitigation requirements, where EMMU maintains an Excel file tracking mitigation monitoring reports, manages mitigation monitoring plan (MMP) and env permit requirements. The cross-functional Program/Permit Coordination team last met on 2/23/21.</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
General Services DAO Vacant	1	Write a consolidated business policy concerning contracting management (including consultant contracting), which establishes the governance framework and functional accountability for contract management at the District. Include in this document a "Certificate of Acknowledgement" that staff must sign annually (or more frequently, as required).	<p>October 2015: The overarching policy documents also include the District Act and Board Governance Policies which were not identified in the findings. These policies cover both the Financial and Procurement aspects of the District and provide guidance regarding controls, expenditure limits, approval authority, and other policy direction.</p> <p>The District has many documents that collectively establish the policy framework for contracting, including the "Guiding Principles of Public Procurement," the "Guide to Doing Business with the District," Document No. Q-741-005 "Procurement of Consulting Services," and AD.6.3 "Approval Authority for Consultant Services Contracts." The District's QEMS includes many documents that pertain to the policy and process of obtaining consulting contract services. In combination, these documents provide guidance in a variety of control and governance-related areas. However, most of these documents pertain to the pre-award process.</p> <p>We do not disagree with the recommendation to develop a consolidated overarching business policy that includes post-award contract management. However, such an overarching policy is a rarity in the public sector, often as a result of decentralized organizational structures similar to the District and probably with the understanding that financial policies and controls would be sufficient. The audit did not include examples of such a policy in the public sector or a benchmark study of public agencies. Therefore, the District decided to conduct such a study to see how peer agencies have developed and implemented such a policy and to look at other recommendations made in Navigant's report.</p> <p>Between July and September of 2015 the District conducted a benchmark study of public agencies. The study found that out of fourteen comparator agencies only one, San Francisco Public Utilities Commission, had procedures, checklists, and compliance requirements for post-award contract management. No agency had</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>a single overarching business policy concerning contracting management (including consulting contracting), which established the governance framework and functional accountability for contract management. The District will develop such a policy with guidance and assistance from the California Association of Public Procurement Officials.</p> <p>08/19/16: Consultant Contracts Services staff went through four rounds of recruitment with assistance from HR and the District's contracted temporary staffing services company. They were unable to find candidates who were either willing to take on this project or were qualified to implement such projects. After consultation with the Chiefs at their meeting on July 25, 2016, they directed Katherine Oven, DOO of Water Utility Capital Division and Ravi Subramanian, DAO of General Services Division to work together to develop an implementation plan.</p> <p>8/15/18: In Process. The "Certificate of Acknowledgement" will be addressed through the Consultant Contracts Improvement Process. Development of the overarching policy is in process and will align with the District's policy and procedure standards. Anticipated Completion: FY 19.</p> <p>4/22/19 (Thomas Esch): In Process. As part of an internal audit by the Unit Manager, all consulting contract policy and procedures are under review, including post-award processes. Project Manager Guides and checklists will relate processes to roles and responsibilities in post-award period. The "Certificate of Acknowledgement" will be addressed during this review. Anticipated Completion: Q1 FY20.</p>
General Services DAO Vacant	2	Establish common "ways of working" through directive desk manual business processes for contract management activities; create oversight structures and "checks" for contract management activities.	October 2015: The District has some QEMS procedures like Q710010 (Capital Project Initiation, Oversight, and Commissioning Procedure), Q710D01 (Capital Improvement Program Planning), and Q751D01 (Capital Project Delivery) that pertain to Capital Project planning and delivery, but no procedures for contract management activities.

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>We agree with the recommendation to develop desk manual type business processes and procedures for post-award contract management and create oversight structures and internal controls for such activities. However, due to the decentralized organizational structure of such activities, common procedures are often not available in the public sector. The audit did not include examples of such procedures in the public sector or a benchmark study of public agencies.</p> <p>The District's benchmark study of public agencies found that out of fourteen comparator agencies, San Francisco Public Utilities Commission, had procedures, checklists, and compliance requirements for post-award contract management. The District will develop a desk manual of business processes for contract management activities with guidance and assistance from the California Association of Public Procurement Officials.</p> <p>8/19/16: Consultant Contracts Services staff went through four rounds of recruitment with assistance from HR and the District's contracted temporary staffing services company. They were unable to find candidates who were either willing to take on this project or were qualified to implement such projects. After consultation with the Chiefs at their meeting on July 25, 2016, they directed Katherine Oven, DOO of Water Utility Capital Division and Ravi Subramanian, DAO of General Services Division to work together to develop an implementation plan.</p> <p>8/15/18: In Process. This recommendation is being addressed regarding pre-award process through Consultant Contracts Improvement Process. Development of post-award process have been assigned to designated staff resources. Anticipated Completion: FY 19.</p> <p>4/22/19 (Thomas Esch): In Process. Implementation of the Consultant Contracts Improvement Process has identified areas where a dedicated Project Manager Guide and Contracts Analyst Guide would benefit both clients and contracts staff, providing</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			guidance, explaining best practices, and aligned with policies and procedures. These guides will include sections dedicated to post-award contract roles and responsibilities. Anticipated Completion: FY 20.
General Services DAO Vacant	3	<p>Alternative organizational structures can be considered for the Contracts Group: Create a centralized contract management function, focused on on-going contract administration; create analyst positions within specific units to support PMs with contracting activities. Centralization has multiple advantages over the creation of analyst positions, including principally: Increased standardization and consistency; focused governance; greater efficiency and reduced cost.</p> <p>To this end, Navigant recommends the centralization of the contract management function. Staffing levels for a centralized Contracts Group would be determined through a comprehensive workflow and workload analysis, considering contract management activity levels, the impact of improved and enhanced use of technology, and re-engineered business processes. (This type of staffing analysis would also be appropriate for areas that impact the end-to-end consultant contract process, including specifically accounting.) Further, specific technical competencies for contract staff would be clearly defined, reflecting the specific characteristics of supply chain and procurement</p>	<p>October 2015: In 2014, the District conducted a staffing resources analysis as part of a Capital Projects resource study. It determined that the District needed approximately 13 Limited Time Equivalent staff to work on Capital Projects proposed over the next few years. The study confirmed that Consultants Contract Program was understaffed and recommended adding a Senior Management Analyst (Limited Time Equivalent) for 4-5 years. The Contracts group is in the process of hiring a Senior Management Analyst. Lack of sufficient staffing in the Capital Projects resource study was identified only to preform pre-award functions, not post-award contract management. The Capital Projects resource study was silent on post-award contract management resources because the decentralized resources are adequate to perform those functions. The study did not consider centralizing the function.</p> <p>There are pros and cons to both centralized and decentralized organizational structures. The audit did not perform a comparative benchmark analysis of these models. As noted in the recommendation, a staffing analysis would also be necessary to arrive at the appropriate decision. The District currently uses a decentralized model to perform these functions. The District's contract management functions are distributed throughout the organization and draw upon the expertise and resources accordingly.</p> <p>The District's benchmark study of public agencies found that the contract management function was decentralized in twelve of the fourteen comparator agencies. The remaining agencies that had the centralized model were the SFPUC and the Metropolitan Water District which have very large procurement departments with approximately 48 and 100 staff respectively. District will keep its current decentralized model. However, the District will reinforce and improve standard policies, procedures, and documentation and</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
		professionals. To be successful, the transition of contracting activities from PMs to the centralized contracting group would have to be implemented according to a well-managed multi step approach.	<p>will implement them as part of the other recommendations.</p> <p>8/15/18: Under review. Navigant had also recommended centralization of the contract management function. In response to that recommendation, the District conducted a benchmark study of public agencies, which found that the contract management function was decentralized in 12 of the 14 comparator agencies. The remaining agencies that had the centralized models were the San Francisco Public Utilities Commission and the Metropolitan Water District, both of which have very large procurement departments, with approximately 48 and 100 staff respectively. Since receiving this recommendation, the District has focused on reinforcing and improving standard policies, procedures, and documentation. The recommendation to centralize the contract management function is under review by District management. Anticipated Completion: FY 19.</p> <p>4/22/19 (Thomas Esch): Under review. An internal audit is being conducted by the new Purchasing and Consultant Contracts unit manager that looks not just at internal processes and procedures, but overall District practices as well as alignment with best practices. Contract management functions spread around different departments will be reviewed and recommendations made. The internal audit will be completed in Q1 FY20.</p>
General Services DAO Vacant	5	SCVWD's systems should all be integrated. In parallel, robust systems and data governance policy and processes should be developed and implemented.	<p>October 2015: The District agrees with the recommendation and two years ago initiated work on integration of various systems as part of the upgrade of the District's ERP system - PeopleSoft. As part of the project, a new eProcurement system would replace CAS and integrate with many other new modules proposed to be implemented as part of the upgrade. The PeopleSoft Upgrade project is underway and is expected to be completed by 2018. Action: Implementation of the PeopleSoft Upgrade.</p> <p>8/19/16: The consultant's recommendation was to develop and implement an integrated systems project. The District had the same intent and work on integration was initiated two years ago as part</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>of the PeopleSoft upgrade project. The District will implement the recommendation.</p> <p>8/15/18: In process. The District is in the process of implementing the recommendation. An RFP has been initiated and will be released in Q3, FY18 for a new Enterprise Resource System, which will replace the current PeopleSoft system. District will replace the existing CAS system with the new ERP system. Anticipated Completion: FY 20 - FY 21.</p> <p>4/22/19 (Thomas Esch): In process. The District is in the process of implementing the recommendation. A contract for the vendor of the new Enterprise Resource System is expected to be approved in Q1, FY20, which will replace the current PeopleSoft system. District will replace the existing CAS system with the new ERP system. Anticipated Completion: FY 21 - FY 22.</p>
General Services DAO Vacant	7	The District should develop specific contract compliance processes, which should include clear governance guidelines.	<p>October 2015: The District has a decentralized model to perform post-award contract management functions and under this structure, the respective Unit Managers, Deputy Officers, and Chiefs monitor and manage the various processes that are specific to each project. There are processes that could be standardized and the District will develop them. Action: The District will develop specific contract compliance processes, including clear governance guidelines with assistance and guidance from the California Association of Public Procurement Officials. The District's benchmark study of public agencies found that out of fourteen comparator agencies only one, San Francisco Public Utilities Commission, had procedures, checklists, and compliance requirements for post-award contract management.</p> <p>8/19/16: Consultant Contracts Services staff went through four rounds of recruitment with assistance from HR and the District's contracted temporary staffing services company. They were unable to find candidates who were either willing to take on this project or were qualified to implement such projects. After consultation with the Chiefs at their meeting on July 25, 2016, they directed Katherine Oven, DOO of Water Utility Capital Division and Ravi Subramanian,</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>DAO of General Services Division to work together to develop an implementation plan.</p> <p>8/15/18: The District will develop specific contract compliance processes, including clear governance guidelines. This has been assigned to designated staff resources. Anticipated Completion: FY 19.</p> <p>4/22/19 (Thomas Esch): In process. Staff are conducting an internal audit that will result in a report with recommendations. The report will include recommended governance structure and guidelines for consultant contract processes and procedures. Anticipated Completion: Q1 FY20.</p>
General Services DAO Vacant	8	<p>A) Develop and implement a policy and business processes defining the evaluation of consultant performance. B) Develop and implement the necessary tools to support the assessment of consultant performance, including performance evaluation scorecards and a database of consultant past performance evaluations. C) In the event of sub-par performance, the tools should inform the development of root cause analyzes and corrective action plans</p>	<p>October 2015: The District agrees with the recommendation. The District has a project-by-project decentralized consultant evaluation mechanism along with reference checks.</p> <p>Action: The District's benchmark study of public agencies found that only three out of fourteen comparator agencies conducted consultant performance evaluations. They are Sonoma County Water Agency, SFPUC and Zone 7. The District will develop and implement a more formal consultant performance evaluation program with guidance and assistance from the California Association of Public Procurement Officials.</p> <p>8/19/16: The District's benchmark study of public agencies found that only three out of fourteen comparator agencies conducted consultant performance evaluations. They are Sonoma County Water Agency, SFPUC and Zone 7. The District will develop and implement a more formal consultant performance evaluation program.</p> <p>8/15/18: Status: A) In Process, B) Competed, C) Completed</p> <p>A) The District is evaluating implementation of a policy and business processes to define and record the evaluation of consultant performance. B) and C) Management concurs with the</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>recommendation. Project managers currently evaluate consultant performance for compliance with agreement requirements for scope, schedule, and budget. Anticipated Completion: FY 19.</p> <p>4/22/19 (Thomas Esch): A) The District has deferred evaluating implementation of a policy and business processes to define and record the evaluation of consultant performance to FY20. B) and C) Management concurs with the recommendation. Project managers currently evaluate consultant performance for compliance with agreement requirements for scope, schedule, and budget.</p>
General Services DAO Vacant	9	Design a limited performance management program for contract management. Improve CAS or other technology platform(s) to capture the information linked to the performance management program and key metrics. Design standard reports to enable enhanced decision-making around contract management operations.	<p>October 2015: The District agrees with the recommendation. CAS was not developed as a performance management tool or software system. Additionally, with the impending migration from CAS to PeopleSoft's eProcurement system, the District does not plan to spend additional funds for such a major enhancement of CAS. Performance management software will be incorporated into the PeopleSoft upgrade project as part of the new supplier chain and supplier management modules.</p> <p>Action: The District's benchmark study of public agencies found that only one of fourteen comparator agencies, SFPUC, had a performance management program. However, Sonoma County Water Agency and Metropolitan Water District of Southern California had some mechanisms for contract compliance. The District will develop and implement a more formal performance management program with guidance and assistance from the California Association of Public Procurement Officials. The District will proceed with the procurement and implementation of the new supplier chain and supplier management modules in PeopleSoft.</p> <p>8/19/16: The District's benchmark study of public agencies found that only one of fourteen comparator agencies, SFPUC, had a performance management program. However, Sonoma County Water Agency and Metropolitan Water District of Southern California had some mechanisms for contract compliance. The District will develop and implement a more formal performance management program. The District will proceed with the procurement and implementation of the new supplier chain and</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>supplier management modules in PeopleSoft.</p> <p>8/15/18: The District had the same intent and has been working on procuring a new Enterprise Resource System, which will replace the current PeopleSoft system and address this recommendation. Anticipated Completion: FY 20 - FY 21.</p> <p>4/22/19: The District is procuring a new Enterprise Resource Planning (ERP) System, which will replace the current PeopleSoft system and address this recommendation. Elements of the ERP that may permit performance measures will be evaluated when the ERP is being developed. Anticipated Completion: FY 21 - FY 22.</p>
General Services DAO Vacant	10	<p>A) Improve and maintain a “boiler plate” Standard Agreement. Only the scope of services and project schedule sections should be drafted by Project Managers. B) All other sections should be owned by the Legal Department. The existing control procedures for contract approval should be reviewed and redesigned.</p>	<p>October 2015: The District agrees with the recommendation. The long cycle time is predominately due to multiple reviews of scope of services, tasks, and terms and conditions associated with the project. Standard templates, checklists, and training Project Managers on writing better scope of services will help improve cycle times. The District's Counsel's Office, Capital Division and Consultant Contracts Staff have developed and implemented a "boiler plate" Standard Agreement. The District's benchmark study found that only six out of fourteen comparator agencies had cycle times. Of those, four agencies had cycle times better than the District's cycle time. The Consultant Contract staff monitor cycle time on a weekly basis and publish reports weekly, monthly, and quarterly on the District's internet pages. Additionally, link to the reports are emailed each week to Deputy Operating/Administrative Officers.</p> <p>Action: The District will develop and implement a training program, with guidance and assistance from the California Association of Public Procurement Officials, for Project Managers on writing better scope of services.</p> <p>8/19/16: Standard Agreements are in place and being used. We will be posting them online in the next few weeks so that all employees have access to the agreements and other contract templates and documents. Control procedures for contract approval were reviewed. This recommendation is specific to the Lower Silver Creek</p>

2015 CONSULTANT CONTRACTS AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>project. The Board's audit will address it in further detail and make suggestions for redesign.</p> <p>8/15/18: Status: A) Completed, B) In Process A) Standard Template Agreements were developed by a committee of internal stakeholders in FY15 and FY16, and are updated on an annual basis. Additional standards terms, conditions, and required templates are also in place, and are included in the Agreements, when appropriate. District project managers are only responsible for developing scope, budget, and schedule of completion for their specific agreements. B) Control procedures for contract approval were reviewed. This recommendation is specific to the Lower Silver Creek project. The Board's audit will address it in further detail and make suggestions for redesign. In FY18, the District initiated a Consultant Contracts Improvement Process, which included a comprehensive review of all existing processes to identify areas of improvement. Anticipated Completion: FY 19.</p> <p>4/22/19: (Thomas Esch): Status: A) Completed, B) In Process A) Standard Template Agreements were developed by a committee of internal stakeholders in FY15 and FY16, and are updated on an annual basis. B) Staff are implementing a streamlined consulting contract process and reporting on progress. A more thorough review of processes and procedures is being conducted through an internal audit with the intent on reporting findings in Q1 FY20 to further identify areas of improvement.</p>

2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
2019 LOWER SILVER CREEK AUDIT			
Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
WU Capital DOO Heath McMahon	R10	The District should develop general guidelines for consistent invoice review.	<p>2/26/19: Management Response: Management concurs with this recommendation.</p> <p>District Action: A general invoice review procedure for project managers will be developed.</p> <p>Auditor Response to Management Response: Agree with the proposed District Action.</p> <p>District should provide an estimated completion date.</p>
General Services DAO Vacant	R11	The District should implement a guideline for Delegation of Authority	<p>2/26/19: Management Response: Management concurs with this recommendation. However, the recommendation is broad as the term "delegation of authority" is granted to various units and divisions, not just contracts (example: payment of rent of District owned property, settlement of claims, etc.). The scope of Management's response is limited to consultant and service agreements.</p> <p>District Action: There are a number of separate policies and work instructions that provide roles and responsibilities, including authority levels. A new guideline that pulls all this information together and provides clarity on delegation of authority, would benefit all District personnel. This guideline should also align with the ERP project processes.</p> <p>Auditor Response to Management Response: Agree with the proposed District Action. Please provide an estimated completion date.</p>
PCCSU Manager Concepcion Gayotin	R13	If substitute or additional employees are allowable, that the contract should provide a generic employee title which will tie to the amount being invoiced.	<p>2/26/19: <u>Management Response:</u> Management acknowledges this recommendation. However, contractor employee titles must be common to the industry for the work being performed, especially to understand the working level of the position and pay rates for comparison. Furthermore, the form FC1165 Agreement Status Change Request is used to provide</p>

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			<p>any changes to key personnel and rates. It is the responsibility of the Project Manager to keep a master list of positions and rates and the name of individuals filling those positions and use that information when verifying rates provided in consultant invoices.</p> <p><u>Auditor Response to Management Response:</u> District should document the responsibilities as described in their "Management Response" into a formal Policy and provide an estimated completion date for the Policy. The Policy should also include a Quality Control requirement to ensure that the Project Manager's performance complies with Policy.</p> <p>2/14/20 (T.E.): FC1165 changes to Consultant Key Personnel, subs key personnel rates are documented in CAS and Project Folders. FC1165 includes routing process. All changes from FC 1165 are later incorporated into an official Amendment to the agreement. Refer to Attachment One to Schedule, Fees & Payments (in all Consultant Agreements).</p> <p>Suggested Action: Need Procedures (or policy) regarding: 1. PM keeping master list of positions and rates and names filling those roles. 2. PM job to verify rates when reviewing invoices.</p> <p>9/30/20 (J.R.): This item is still pending and currently under review. Multiple parties are working on a solution; updates to follow.</p> <p>12/27/21 (C.G.) This item is still pending and currently under review. Multiple parties are working on a solution including a new Unit Manager in Purchasing & Consultant Contracts. Updates to follow.</p>
PCCSU Manager Concepcion Gayotin	R14	If rates are expected to change over the life of the contract, the contract should either specify the rate changes, or provide for an escalation clause.	<p>2/26/19: <u>Management Response:</u> Management acknowledges this recommendation. However, the current Contract (Terms and Conditions) template includes a Fees and Payments schedule that explains the process for rate changes. Specifically, consultants may request a rate change every 12 months, based on an approved percentage increase or based on the Employment Cost Index (ECI) for the Bay area, whichever is less.</p>

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			<p><u>Auditor Response to Management Response:</u> District response does not explain how they document and approve these changes. Suggest they develop a policy (or reference an updated policy) and include an estimated completion date.</p> <p>2/14/20 (T.E.): FC1165 changes to Consultant Key Personnel, subs key personnel rates are documented in CAS and Project Folders. FC1165 includes routing process. All changes form FC1165 are later incorporated into an official Amendment to the agreement. Refer to Attachment One to Schedule, Fees & Payments (in all Consultant Agreements).</p> <p>Suggested Action: Need Procedures (or policy) regarding: 1. Justification process for new rates before they are routed. 2. Who reviews and approves the new rates before FC1165 is turned in.</p> <p>9/30/20 (J.R.): This item is still pending and currently under review. Multiple parties are working on a solution; updates to follow.</p>
WU Capital DOO Heath McMahon	R15	The District's invoice review process should include a component of tracing invoice rates to contractual rates.	<p>2/26/19: Management Response: Management concurs with this recommendation.</p> <p>District Action: A general invoice review procedure for project managers will be developed. This component will be included in the procedure.</p> <p>Auditor Response to Management Response: Agree with the proposed District Action. Provide an estimated completion date.</p>
WU Capital DOO Heath McMahon	R17	The District should ensure task level billings from subcontractors agree with that of the consolidated invoice from the prime contractor.	<p>2/26/19: Management Response: Management concurs with this recommendation.</p> <p>District Action: A general invoice review procedure for project managers will be developed. This component will be included in the procedure.</p> <p>Auditor Response to Management Response: Agree with the proposed District Action. Provide an estimated completion date.</p>

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WU Capital DOO Heath McMahon	R18	Accurate task level reporting should be a component of consistent invoice review.	<p>2/26/19: Management Response: Current consultant agreements for capital projects require the consultant to submit a monthly progress report with each monthly invoice.</p> <p>District Action: A general invoice review procedure for project managers will be developed. This component will be included in the procedure.</p> <p>Auditor Response to Management Response: Agree with the proposed District Action. Provide an estimated completion date.</p>
PCCSU Manager Concepcion Gayotin	R19	Specifying date ranges on invoices should be added to invoicing requirements and should be a component of consistent invoice review.	<p>2/26/19: <u>Management Response</u>: Management acknowledges this recommendation. However, the contract currently requires the consultant to provide beginning and end date for billing period that services were provided. The Project Manager has the responsibility to verify services were completed and only then agree to payment via the invoice.</p> <p><u>District Action</u>: A general invoice review procedure for project managers will be developed. This component will be included in the procedure.</p> <p><u>Auditor Response to Management Response</u>: Agree with the proposed District Action. Provide an estimated completion date.</p> <p>2/14/20 (T.E.): See Consultant Agreement Terms and Conditions Section 4, Fees and Payments, of standard consultant agreements that explain what needs to be provided when submitting an invoice. Subsection 2.F. In addition to ensuring that each invoice is accompanied with a monthly progress report, Consultant must also ensure that each invoice contains the following information: 1) Agreement Number; 2) Full Legal Name of Consultant/Firm; 3) Payment Remit-to Address; 4) Invoice Number; 5) Invoice Date (the date invoice is mailed); and 6) Beginning and end date for billing period that services were provided.</p> <p>Suggested Action: Need Procedures (or policy) regarding: 1.</p>

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			<p>Verifying start and end dates for services when reviewing invoices. 2. PM must verify and certify invoice amount meets contract requirements including posting of start/end dates.</p> <p>9/30/20 (J.R.): This item is still pending and currently under review. Multiple parties are working on a solution; updates to follow.</p> <p>12/27/2021 (C.G.) This item is still pending and currently under review. Multiple parties are working on a solution including a new UM in Purchasing & Consultant Contracts. Updates to follow.</p>
WU Capital DOO Heath McMahan	R20	Ensure project management training is in place, allowing for inter-task transfer process intent to be better understood.	<p>2/26/19: Management Response: Project management training is in place in the Capital Program divisions.</p> <ol style="list-style-type: none"> 1. The most valuable and effective training occurs on the job, with direct guidance and mentoring provided by a unit manager or experienced project manager. 2. The Capital Program's Quality Environmental Management System (QEMS) framework, that follows the International Organization for Standardization (ISO), provides step-by-step directions and instructions for review and preparation of key project deliverables and quality records that document project changes in scope, schedule, or cost. The supervising engineer or unit manager is responsible for his or her unit staff's performance in working within the QEMS framework. 3. Project management classes are made available through the District's Workforce Development Program. Training on all QEMS capital project delivery procedures is provided to all staff in the Capital Program divisions every two years. <p>District Action: QEMS training classes were held in August and September 2017, in accordance with the 2-year cycle for QEMS training. Each Unit Manager is to ensure that trainings are effective by ongoing review of capital project work and deliverables prepared by his/her unit staff.</p> <p>A review of the training classes will be conducted prior to the next</p>

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			<p>training cycle to improve staff's understanding of the procedures, work instructions, and forms.</p> <p>Auditor Response to Management Response: During the course of the performance review, the Auditors interviewed a number of employees and inquired about their respective opinions related to policy intent. Responses included varying perspectives on policy intent, signifying that then-current training was likely not effective.</p> <p>It is the Auditor's opinion that intent of documentation was not always well grasped and that a more formal training plan would be beneficial.</p> <p>Implementing follow-up audit ("as you go") at key project intervals (mobilization, 30% design, pre-construction, etc.) would provide an on-going basis to gauge employee understanding, and policy conformance.</p>
WU Capital DOO Heath McMahon	R21	Modify existing project document control practice (and/or implementation of practice) to be less autonomous, in line with industry standard.	<p>2/26/19: Management Response: The existing District File Instructions for Capital Projects is a QEMS document that provides guidelines and instructions to establish a standard file management system for the Capital Program project files (hardcopy and electronic), including a naming convention and organizational structure for the creation, maintenance and retention of project files, and ensuring that files are created, maintained and archived in a consistent manner in accordance with the District Records Retention Schedule.</p> <p>District Action: Capital Program staff will review this procedure and agree on updates to align it with industry standards. The District File Instructions for Capital Projects (QEMS Document W42302, Revision F, Effective Date: February 14, 2013) was reviewed and revised in October 2018.</p> <p>Auditor Response to Management Response: Agree. Once again, a policy and procedure audit at key project stages would help to</p>

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			ensure employee understanding and compliance with District QEMS.
WU Capital DOO Heath McMahon	R22	There is currently no explicit process or direction for interface of project document control systems between consultant and the District. Recommend implementing a detailed practice for project document control interface between District and Consultant. Though the Project Work Plan could serve as a platform for a description of this interaction, a framework for its use should be provided.	<p>2/26/19: Management Response: When originally prepared, the File Instructions for Capital Projects (W42302) procedure required a document administrator (DA) staff person to manage the document filing system for each project. Over the past 5 years, as the Capital Program has grown significantly, staff dedicated to this effort have been reassigned to higher-priority work, and new staff positions have not been approved to support this effort.</p> <p>District Action: As part of the District Action Item for Recommendation R21, capital staff will be convened to review this procedure and determine how it should be improved, and what staff resources would be required to assure consistent document control interface between the District and its consultants. The District File Instructions for Capital Projects (QEMS Document W42302, Revision G, Effective Date: October 2018) will be reviewed and revised by March 2019.</p> <p>Auditor Response to Management Response: Agree</p>
WU Capital DOO Heath McMahon	R23	There is no current practice for project management (and key personnel) turnover. QEMS discusses transition between phases, but does not require transition reporting between key personnel i.e. there is no formal practice for project management turnover. The project management position was transitioned in October 2013, near the end of the RMC contract; there is no evidence of a formal project management transition plan, or documentation of a transition meeting. Though lack of transition is a risk in and of itself, a lack of attention to project document control and change	<p>2/26/19: Management Response: The lack of a focused transition of the Lower Silver Creek Project due to the unexpected retirement of key personnel, was a detriment to the continuity of project leadership.</p> <p>District Action: The Deputy Officers of the Capital divisions have discussed this issue among themselves and with their unit managers. The DOOs will hold the UMs accountable for proper transition of projects due to key personnel retirements.</p> <p>Auditor Response to Management Response: Recommend use of a turnover practice including tools (perhaps a checklist) to help ensure smooth transition. A standard District policy/procedure audit checklist (in line with R24) is developed to support performance auditing, it could be used as a basis for turnover. This</p>

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		management practice exacerbates this risk, as the history of the project is not well documented. Recommend implementing a project management and key personnel transition / turnover practice including tools and templates, and roles and responsibilities.	should be documented in a Policy and an estimated completion date provided.
General Services DAO Vacant	R24	There is no current practice for project performance or compliance audit. Performance evaluation is not currently a requirement of QEMS and there are no systems or processes in place to support implementation of performance or compliance evaluation. The impact of the lack of performance evaluation increases the risk of District and consultant noncompliance and poor performance. Recommend developing and implementing process compliance audit requirements at key stages of project execution including processes, tools, and roles and responsibilities. Of note and predicated on industry best practice, audit should be implemented during project mobilization (early in the project) to allow for course correction if necessary.	<p>2/26/19: Management Response: Management acknowledges this recommendation. District staff is exploring the parameters, benefits and risk related to a formalized performance evaluation. District staff has also reached out to other regional agencies to benchmark best practices and gain insight from established programs utilizing performance evaluations.</p> <p>District Action: Staff to continue exploring the parameters, benefits and risk related to a formalized performance evaluation.</p> <p>Auditor Response to Management Response: Highly recommend implementing compliance auditing requirements. It can help to ensure projects are setup in accordance with District QEMS, helps to ensure employee understanding of policies and procedures, helps to identify areas that need improvement, and in general can serve as a roadmap for project managers and staff to ensure they're implementing and maintaining key project management knowledge areas, as deemed important by the District.</p> <p>District response does not provide a firm commitment to addressing the recommendation and implementing a change. Suggest they develop a Policy and include an estimated completion date. Said policy can be revised as part of the District's commitment to continuous improvement.</p>
WU Capital DOO Heath McMahon	R25	Risk Management is not a requirement of QEMS practices; rather it is included as an optional section within the Project Work	<p>2/26/19: Management Response: The current QEMS planning and design procedures do not contain instructions for including risk management in each capital project. Risk management is performed on large and complex projects, most</p>

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		Plan practice. Project Risk Management is a well-accepted core project management knowledge area, and industry best practice. The impact of not identifying and documenting risks greatly increases the likelihood of project budget and schedule overruns. Recommend implementing a risk management procedure.	<p>often by the design phase consultant.</p> <p>District Action: A currently active program management consultant agreement for the District's Expedited Purified Water Program includes tasks for the development of District staff, and several risk management training sessions have been held for interested staff. This consultant was tasked with developing a project risk management practice for the QEMS framework that aligns with industry standards. The new work instruction was completed and published in March 2018.</p> <p>Auditor Response to Management Response: This document was not provided to PMA as part of the audit; if provided, PMA will review pursuant to its recommendation.</p>
WU Capital DOO Heath McMahon	R26	Per the Executed Agreement, providing progress status reports is a requirement of invoice submittal. However, the demonstration of progress basis (either in a Project Work Plan or through the invoicing process) is not required. The impact of not requiring a demonstration of progress basis could in some cases lead to over-invoicing and ensuing over-payment. Recommend implementing a defined procedure for earned value / progress measurement.	<p>2/26/19: Management Response: Current consultant agreements for capital projects require the consultant to submit a monthly progress report with each monthly invoice. This can be further strengthened by requiring a measure of task completion (as a percentage) for each task that's being invoiced.</p> <p>District Action: Capital staff will evaluate the costs/benefits of developing and implementing an earned value approach to project invoicing for consultant agreements. A recommendation of whether or not to proceed with such an effort, and the associated necessary short- and long-term financial and staff resources, will be solicited from the CEO/Chiefs by March 2019.</p> <p>Auditor Response to Management Response: Highly recommend implementing an Earned Value Management (EVM) requirement that relies on physical progress (rather than % spent, or % of schedule used) for large capital construction projects. It is typical for this requirement to be implemented by the GC, and/or CM. The</p>

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			District would review for compliance, and benefit from the additional cost and schedule assurances provided by EVM.
WU Capital DOO Heath McMahon	R27	Though some objectives are formalized in the Project Work Plan, some other objectives articulated in interviews (securing federal funding and optimizing use of federal funding) were not formally recorded either directly as objectives, or as project constraints or assumptions. Further, there is no current process for recording or documented District expectations, or satisfaction with consultant performance and methodologies. The impact of not formally recording expectations and satisfaction reduces the ability to continually improve, both from the standpoint of District procurement and consultant performance. Recommend reviewing the need for an expectation and satisfaction procedure. Practice should address objectives, requirements, process, and reporting as well as roles and responsibilities, tools, and templates	<p>2/26/19: Management Response: Management concurs with the recommendation and currently evaluates consultant performance for compliance with agreement requirements in terms of scope, schedule, and budget. The District's expectations for consultant performance are stated in agreements using a task and correlating deliverable format, including specific deadlines and financial limits per task. An assessment regarding the quality of consultant performance can best be determined at certain increments after the finished work is implemented and tested to operational standards and the passage of time.</p> <p>District Action: Capital Program staff will continue the current satisfaction survey/lessons learned practices.</p> <p>Auditor Response to Management Response: The referenced surveys and practices were not provided to PMA as part of the audit; if provided, PMA will review pursuant to its recommendation.</p>

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WU Capital DOO: Heath McMahon General Services DAO: Vacant Dam Safety & Capital Delivery DOO: Chris Hakes	R1	Update capital construction change order policies and procedures applicable to large-scale projects to: a) require an Independent Cost Estimate (ICE) for capital construction change orders, (b) use a separate advisory body to review and recommend the approval of change orders, and c) prohibit commencement of work until after change order approval.	<p><u>Management Response:</u></p> <p>a. Management agrees with this recommendation. Management will require an Independent Cost Estimate (ICE) for capital construction change orders on contracts greater than \$100M or on projects of a lesser value when the Chiefs deem the project to be higher risk. In addition, services of an on-call cost estimator will be required for complex cost estimates, as determined by the Capital Engineering Manager overseeing the project based on an evaluation of in-house experience relative to the scope of work.</p> <p>b. Management agrees with this recommendation. A Change Control Board (CCB) will be established as part of a systemic change order management approach. The CCB will review changes that have significant cost or schedule impacts. For large-scale projects, the addition of a Project Steering Committee will be established with project oversight to keep a pulse on progress or to address major design or construction changes. The Steering Committee would not replace the functions of the CCB, but will review items of substantial interest as determined by the Steering Committee. Staff will develop process and procedures for the CCB. The make-up of the CCB and Project Steering Committee will include senior and executive staff. Additional resources will provide input depending on the project issue under consideration, including the Engineer of Record, subject matter experts, legal counsel, and claims management and scheduling consultants.</p> <p>c. Management agrees with the recommendation. To responsibly and efficiently deal with changes, the responsibility and authority for change approvals must be delegated to personnel at the level most knowledgeable and most closely aligned with the project issue. However, certain field changes that must be performed immediately to mitigate an emergency or to avoid critical, immediate delays to the project may necessitate force-account work to address the immediate need. Force account work (i.e., time and materials work) constitutes an approved change order of</p>

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			<p>variable cost and duration while the scope of the change is finalized.</p> <p>Target Implementation is December 2020.</p> <p><u>Auditor Response:</u></p> <p>a. Valley Water's response satisfies the recommendation.</p> <p>b. When staff develops procedures for the CCB, Valley Water should ensure that the Change Control Board will review change orders on contracts valued at \$100M or on projects of lesser value that are deemed to be high risk , to be consistent with Valley Water's prior response.</p> <p>c. Valley Water could satisfy our recommendation and continue to provide autonomy to field personnel by allowing project managers/engineers the discretion to make changes to a project provided the changes can be implemented within the project's original budget. Delegating this authority then eliminates the need for a change order. Second, emergencies do happen, but even under the circumstances described by management, an expected budget for the work today's technology makes it possible for that budget to be quickly proposed, communicated, and approved in a very short period. A process for emergency work should be established.</p> <p>11/18/2020 Status Update by Roslyn Fuller:</p> <p>a) Require an Independent Cost Estimate (ICE) by in-house and/or on-call cost estimator for change orders for capital construction contract over \$100 million or lower is determined by respective Chief Operating Officers (COO)</p> <p>Actions: Request for Proposals being developed to solicit professional cost estimators to provide ICE; cost estimating classes identified to train VW project managers for in-house estimates</p> <p>Target Implementation: Revised from December 2020 to August 2021</p>

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			<p>b) Use a separate advisory body, Change Control Board (CCB) and Project Steering Committee (PSC) to review and recommend the approval of change orders Actions: CCB and PSC policies and procedures are being developed and subject matter experts will be included as required; percentage of change order will also trigger CCB review Target Implementation: Revised from December 2020 to August 2021</p> <p>c) Prohibit commencement of work until after formal approval of change order Actions: Delegation of Authority policies in development Target Implementation: Revised from December 2020 to October 2021</p>
WU Capital DOO: Heath McMahon General Services DAO: Vacant Dam Safety & Capital Delivery DOO: Chris Hakes	R2	Enhance constructability reviews as part of the construction project design phase with the addition of independent subject matter experts to the review team to help mitigate the occurrence of change orders on large-scale capital projects.	<p><u>Management Response:</u> Management agrees with the recommendation. Third-party and/or peer review processes will continue to be required for all large-scaled projects to address constructability and identify risks and develop approaches to mitigate those risks. Staff will consider securing consultant services to provide third-party constructability reviews.</p> <p>Target Implementation is December 2020.</p> <p><u>Auditor Response:</u> Our report affirmed that constructability reviews are being performed in-house by VW staff. However, CRB members said constructability reviews performed by independent third parties could further mitigate the need for change orders. We commend VW in their future efforts to consider consultant services for these constructability reviews. To ensure project transparency and predictability, staff should develop policies and procedures to identify the circumstances and other criteria that would trigger third-party constructability reviews, including the anticipated timelines and impacts on project design and delivery planning.</p> <p>11/18/2020 Status Update by Roslyn Fuller:</p>

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			<p>a) All large-scale and higher risk projects currently require third party and/or peer review. Staff will secure consultant services to provide third party constructability reviews.</p> <p>Actions: Scope of work in development for consultant solicitations. New & existing Design review forms & Master Checklist to be revised for more substantive QA/QC process. Staff to be trained to assume collateral duties for in-house peer reviews.</p> <p>Target Implementation: Revised from December 2020 to August 2021</p>
<p>WU Capital DOO: Heath McMahon General Services DAO: Vacant Dam Safety & Capital Delivery DOO: Chris Hakes</p>	R3	<p>Enhance the review and approval process for change orders (including potential change orders, contract change orders, and directed change orders) on capital construction projects that are new to Valley Water and/or whose project costs exceed a specific level established by the CEO (i.e.\$100M) to add and enhance support structures to aid project and construction managers in capital project delivery. Options include:</p> <p>a. Create a Capital Project Steering Committee for each new project to review project progress and provide authority to review and approve change orders. The Committee should include Valley Water management, project, and construction manager, external subject matter experts, outsourced legal construction contract counsel, and a representative from the Purchasing and Consulting Contracts Services Unit.</p>	<p><u>Management Response:</u> Management agrees with the recommendation. The change-order approval process requires a review to ensure both processes and roles/responsibilities are clearly defined along with authority levels which will be clarified in the revised process. The role of review and approval of change orders would be delegated to the CCB, with defined governance and procedures, including defined authority levels. Due to the unique and unexpected issues encountered by large projects; a Project Steering Committee would be established for projects greater than \$100M. The Project Steering Committee will be established with project oversight to keep a pulse on progress or to address major design or construction changes. The Steering Committee would not replace the functions of the CCB but will review items of substantial interest as determined by the Steering Committee. Executive management will define the make-up and role of the Project Steering Committee.</p> <p>Target implementation is July 2021.</p> <p><u>Auditor Response:</u> Valley Water's response satisfies the recommendation. The Independent Auditor continues to suggest that the Steering Committee includes external and outsourced personnel, which could help minimize financial and project delivery risks on large scale construction projects.</p> <p>11/18/2020 Status Update by Roslyn Fuller:</p>

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			<p>Create Capital Project Steering Committee (PSC) for large scale and high-risk projects for process and change order oversight as determined by the CEO</p> <p>Actions: The current change order flowchart will be revised to incorporate change order approval delegation to the Change Control Board (CCB). The PSC will provide oversight for projects over \$100 million and high-risk projects for both design and construction changes.</p> <p>Target Implementation: Revised from July 2021 to December 2021.</p>
<p>WU Capital DOO: Heath McMahon General Services DAO: Vacant Dam Safety & Capital Delivery DOO: Chris Hakes</p>	R4	<p>Create a Resources Services Office (RSO) or restructure the current Capital Program Planning and Analysis Unit and develop RSO roles and responsibilities, including the business processes and information systems needed to support large-scale capital construction projects and to serve as a resource for project and construction managers on smaller projects. Examples of expected RSO roles and responsibilities for large-scale capital construction projects include: integrate project design and construction management activities; develop large-scale construction management policies and procedures; ensure consistent and uniform implementation of capital project management and construction management standards; manage and administer the contract management and change order process; consolidate, analyze, and disseminate lessons learned activities and historical project information for future project planning; coordinate project and construction project activities; establish and manage</p>	<p><u>Management Response:</u> Management agrees with the recommendation with the following exceptions. All responses below will use the term "Project Controls Office," which is a more common term in project and construction management instead of "Resources Services Office."</p> <p>Management agrees with the recommendation. The addition of the Project Controls Office will enhance Valley Water's ability to manage capital projects in a consistent manner, track and analyze historic change order trends, administer a robust lessons-learned program, and help develop a project management training program for capital project staff. Additionally, a Project Controls Office will provide project management staff the ability to focus on the details of the project.</p> <p>Management does not agree with the recommendation that the Project Controls Office also be given certain design and construction management activities. Project delivery and construction management activities should functionally be separate from the Project Controls Office, yet monitoring of the project schedule, costs, and scope would be done for the lifetime (design and construction) of the project by the Project Controls Office. The Project Manager, assigned as the responsible person for the project, is tasked to integrate design and construction management activities from start to completion of the project -- it is management's recommendation that this role should not be delegated to others, including the Project Controls Office.</p>

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		<p>project and construction management standardization; implement a centralized project management information system; enhance QEMS activities, including the preparation and updating of guidelines and checklists to be used by project and construction managers; prepare information about the reality of existing projects and corrective action plan development; promote continuous process improvement; and establish a performance-based management system to track effective change order management, project completion, and project financial performance. Examples of RSO roles and responsibilities for smaller capital construction projects would be to share historical project information to support design activities and to assist project and construction managers on change order negotiation.</p>	<p>Management does not agree with the recommendation that the Project Controls Office be given responsibility to manage contract management and change order process. The Project Manager is responsible to manage all aspects of the project. It is management's recommendation that the responsibility should not be assigned to a separate entity. Expected roles in the change management process are as follows: The Project Manager and Construction Management staff manage contract change action and issue change orders, analyze and negotiate change orders, and prepare recommendations for contract changes to the Change Control Board; The Project Controls Office reviews scope, schedule, or budget changes as identified in the change order and interprets impact to the project, and coordinates change control functions (prep ERP, budget docs, schedule verification and impact analysis, etc.); and Construction management staff reviews preparation and negotiation of the change order to ensure compliance with contractual requirements, and reviews engineer's cost estimates and work statements to confirm the appropriate contract action. Staff will define the roles of project controls staff and define staffing levels for a new Project Controls Office.</p> <p>Target implementation is July 2021.</p> <p><u>Auditor Response:</u> The Independent Auditor commends Valley Water for its internal discussions to determine how better to deliver capital construction projects. Management raised two concerns about the recommendation that our response may be beneficial to these ongoing discussions. First, in the development of the recommendation by the Independent Auditor, stakeholders participating in the audit raised concern about the potential risk that use of the traditional name, "Project Controls Office (PCO)" will likely create a "silo" effect, meaning that the PCO would serve only the Capital Construction Division when there was need for an office to serve both Watershed and the Capital Construction Divisions. The Independent Auditor understands through subsequent discussions with VW staff that the agency has moved away from</p>

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			<p>centralizing project support activities. While creating a PCO only within the Capital Construction Division will likely have a positive impact on Valley Water, the reach of this impact could be greater if the office could be shared by other Divisions that also manage projects like Watersheds.</p> <p>Second, as stated in the recommendation, the role of the Resources Services Office (RSO) is to help Valley Water "coordinate" and "standardize" project management activities across the District. As a unit providing only support services to project managers, the RSO would not assume any design or construction management activities. Our audit report described gaps in the support systems for VW project managers. Similarly, VW disagrees with having the RSP manage the contract and change management processes. The audit report described the need for a better contract and change order management because the processes, as currently implemented by project managers, create a high project and financial risks on large capital construction projects. The RSO could provide the <u>support</u> project managers need -- and reduce the workload of project managers -- by helping project managers to prepare change orders, track change orders ensure necessary approvals have been sought, and help to coordinate contract changes with the Procurement and Contracts Division.</p> <p>11/18/2020 Status Update by Roslyn Fuller: a) The term "Project Control Office" (PCO) will be used instead of Resource Services Office (RSO) as it's more applicable to the functions of the Capital Construction and Watersheds Divisions under the newly created Integrated Water Management under the ACEO.</p> <p>Actions: Staff reviewed recommendation and is in the process of defining the roles and responsibilities of the PCO which will support and reduce the workload of project managers and avoid the silo effect.</p> <p>The PCO will support but not manage the following activities: Monitoring of design and construction activities Contract management & change order process Target Implementation: Revised from July 2021 to December 2021</p>

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WU Capital DOO: Heath McMahon General Services DAO: Vacant Dam Safety & Capital Delivery DOO: Chris Hakes	R6	Promote uniform implementation of change order management and administration for all capital projects by: a) developing and establishing specific criteria for establishing contingency budgets for change orders that consider project complexity and size (Example: \$0 contingency for capital projects less than \$100,000 ranging to an amount over \$1M for projects over \$500M) eliminating the need for the Board of Directors to separately approve contingency budgets for each capital construction contract; b) updating the Quality and Environmental Management System (QEMS) forms to: develop templates within the Capital Improvement Program Planning document to provide clarification on how the Quality Records should be completed.; add a step in the Close-Out Checklist for the review of open change orders and potential change orders; and enhance the Risk Management Process document to include a review of similar projects in the Capital Improvement Program Historical Information Retrieval (CIPHIR) tool to identify additional project risks and corrective actions that may not have been previously identified; and c) enhance project management training to address change order management and administration, including negotiation, pricing analysis, and contract closeout activities.	<p><u>Management Response:</u> Management disagrees with the recommendation. In the interest of transparency, contingency will continue to be separately approved by the Board of Directors for each capital construction contract.</p> <p>Management agrees with the recommendation. Regarding the recommendation to enhance the Risk Management Process: Providing a risk register and methods to mitigate risks, with reference to past projects, would assist Risk Management in defining insurance requirements. Large-scale projects will require a robust Risk Register with identified costs and methods to mitigate risks.</p> <p>Staff will develop the following: 1) A work instruction that lists those quality records to be included in the "official" contract file. Furthermore, a defined standard electronic folder system with checklist of contents would accompany the work instruction and serve as a template for contract administration; 2) Staff will add additional details for the Close-out process that includes checklists and roles of the project manager, contract administration, and project controls; and 3) A risk management approach and procedures.</p> <p>Target Implementation is December 2020</p> <p>a. Management agrees with the recommendation. All Project Managers and Construction Management staff will be trained on essential project management skills to help ensure uniformity of practices on all projects.</p> <p>Target implementation is December 2021.</p> <p><u>Auditor Response:</u> The Independent Auditor acknowledges the importance of transparency and accountability in government. The intent of the recommendation is to reduce the financial risk of exceeding the original contract budget, which arises from the approval of the</p>

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			<p>contingency budget in an open forum. Alternative processes can be implemented to minimize financial risk and accomplish the principles of transparency. For example, transparency may be accomplished by establishing specific policies, approved by the Board, that define the criteria for setting contingency budgets, such as project size, complexity, and procurement method (design-bid-build, design-build, etc.). The contingency budgets would then be established for projects according to the criteria.</p> <p>11/18/2020 Status Update by Roslyn Fuller: a) Contingency will continue to be separately approved by the Board of Directors for each capital construction project for transparency; criteria for contingency will not be established b) Updating Quality and Environmental Management System (QEMS) Actions: Prepare risk register with reference to past projects for insurance requirements and large projects costs and method risk mitigation Identify list of quality records to be included in the contract file as well as standard electronic folder system Target Implementation: Revised from December 2020 to December 2021 & continuous c) Training on essential project management skills is a continuous process for change order management and administration, continue to explore Federal, State, non-profit and professional organizations training programs Target Implementation: December 2021 & continuous</p>
WU Capital DOO: Heath McMahon General Services DAO: Vacant Dam Safety & Capital Delivery DOO: Chris Hakes	R7	Develop, track, and report on performance metrics that monitor the timeliness, costs, and cost savings on large scale capital projects. Metrics established for monitoring final capital project close out costs against the original base contract amount should exclude contingency budget amounts.	<p><u>Management Response:</u> Management agrees with the recommendation. Management concurs with the recommendation to develop, track, and report on performance metrics for all projects that have been included within our CIP. Performance metrics and key performance indicators (KPIs) will be created for monitoring, reporting, requirements, and reporting methodology.</p> <p>Target implementation is December 2021.</p>

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			<p><u>Auditor Response:</u> Valley Water's response satisfies the recommendation. Management should consider reducing the two-year timeframe for implementation so that it can demonstrate sooner the effectiveness of its efforts to improve the construction contract change order process.</p> <p>11/18/2020 Status Update by Roslyn Fuller: Actions: Development of project plans that include performance metrics for all projects have been included within the CIP module of VENA. Currently Change Management Memorandum is required when schedule and/or budget tolerances in the project plan are exceeded. Additional performance metrics and key performance indicators (KPI's) for monitoring and reporting are also in development.</p> <p>Target Implementation: December 2021 and continuous</p>

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District Counsel's Office	1	The District Counsel's Office should develop and implement a written strategy for approval by the Board that provides an updated operating model for efficient service delivery. In the development of the strategy, the District Counsel can consider, for example, enhanced policy and procedure development and new/enhanced tools described throughout this report. These tools, for example, can include workflow management, SLAs, added performance measurement, use of multi-source feedback assessments, and risk -based criteria assessments.	<p>11/17/2020 Summary of Management Response: Management agrees with the recommendation. The District Counsel agrees to develop and implement a written strategy with an updated operating model for efficient service delivery for approval by the Board. The District Counsel further commented on the many suggested solutions included in the audit report, describing the varied potential benefits or concerns. Target Implementation: The District Counsel recommends that implementation should await appointment of a successor District Counsel so that he or she can have critical input on the ultimate strategy proposed for the office. With respect to implementation of a future written strategy, it is suggested that the Board consider this as a goal for the successor District Counsel. Direction is requested from the Board of Directors if it would like the strategy to be developed prior to the appointment of a successor District Counsel.</p> <p>Independent Auditor Response: TAP International agrees that the development and implementation of the updated operating strategy should await appointment of a successor District Counsel because of the need for organizational and operational changes to address the issues described in the audit report. Although TAP International did not formally recommend implementation of the multiple potential solutions described in the audit report, the solutions suggested are standard management practices to address the District Counsel's Office's service delivery issues that were identified by the audit (such as timeliness, communication, and non-uniform approaches to providing services). TAP International opted against prescribing the use of these tools to provide management flexibility to tailor or adopt alternative solutions as part of an updated operating model. The current District Counsel in describing concerns with a suggested solution contained in the audit report, such as the development of criteria for risk management unit decision-making, dedicating staff to serve the Board only, and tracking attorney time, has the flexibility to implement other alternative strategies that could</p>

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			<p>enhance Office performance and accountability.</p> <p>01/06/2022: The successor District Counsel is in the process of implementing a written strategy for the Office of District Counsel and will review it with the Board</p>
District Counsel's Office	3	The District Counsel should convene a workgroup on planning activities or projects involving contracting opportunities with key stakeholders (E.g., Chief Executive Officer (CEO) and Chief Operating Officers (COOs)) to develop a decision-making guide for early engagement with the District Counsel Office and Risk Management.	<p>11/17/2020 Summary of Management Response: Management agrees with the recommendation. District Counsel agrees that early involvement by the District Counsel's Office and Risk Management on complex, high-value, or large-scale Valley Water projects that will involve contracts would generally be beneficial. While there have been recent efforts to include the District Counsel's Office in the early planning processes for some projects (e.g., the Anderson Dam Retrofit Project), more consistency would be beneficial. This consistency can be increased through the development of the recommended decision-making guide and its use by the CEO and Chief Operating Officers since they are the ones who will be aware of future projects and project needs. The District Counsel is happy to attempt to convene the recommended workgroup and hopes the other BAOs and Valley Water's Chief Operating Officers and Chief Financial Officer will support and participate in the workgroup. Target Implementation: May 1, 2021. Unless different direction is received from the Board of Directors, the District Counsel does not believe that implementation of this recommendation needs to wait upon the appointment of a successor District Counsel.</p> <p>Independent Auditor Response: TAP International commends District Counsel initiation of activities to address this recommendation.</p> <p>1/06/2022: The District Counsel has provided a draft decision-making guide for early engagement with the District Counsel's Office and Risk Management on Valley Water's more routine procurement transactions. This guide, once approved by all stakeholders, will serve as the model for decision-making guides for other activities, projects, and transactions.</p>

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District Counsel's Office	5	The Board Audit Committee should ensure that the scope of the audit currently proposed in the annual audit work plan for the risk management function, include an evaluation of the advantages and disadvantages of implementing alternative organizational alignments for the Risk Management Unit and the Workers' Compensation programs.	<p>11/17/2020 Summary of Management Response: Not applicable for a management response. The District Counsel commented on this recommendation and argued against organizational changes describing that Workers' Compensation activities should not be consolidated under Environmental, Health and Safety because claims administration of the Workers' Compensation program is more closely aligned with Risk Management.</p> <p>Independent Auditor Response: This recommendation was made to the Board Audit Committee. The audit report describes the issues that were raised that support further study of a potential organizational change. Should the Audit Committee wish to expand the scope of the current risk management audit listed on the annual work, the arguments presented by the District Counsel will be considered.</p> <p>1/6/2022: This item remains not applicable for management response.</p>

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Real Estate Services Manager: Eli Serrano	3	To increase the effectiveness of RESU's property management, the RESU manager should update Valley Water's RESU policies and procedures for property management to include residential property management, including procedures to ensure tenants have updated insurance, how staff will conduct physical inspections, and the payment of HOA fees when needed.	<p>Management Response: Management agrees with the recommendation. RESU has begun working on some improvement activities that are related to this recommendation. Status of those items are described below:</p> <p>Updating existing property management policies and procedures to include residential property management.</p> <p>Implemented oversight by Senior staff to track non-residential insurance expirations. Residential structures owned by Valley Water are covered by Valley Water insurance policies managed by the Risk Management Unit.</p> <p>Planning to coordinate a weekly property management schedule to do on-site property inspections.</p> <p>Currently only one HOA fee is invoiced annually related to a District property, and it has been paid in accordance with the invoice terms.</p> <p>Target Implementation: July 2022</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendation, except for the payment of HOA fees when required. We encourage RESU as they continue work on implementing this recommendation to ensure to develop policies for the payment of HOA fees. Although an infrequent occurrence, formal documentation in policies supports consistency and guidance when the event occurs.</p>
Real Estate Services Manager: Eli Serrano	5	To facilitate effective delivery of RESU services, the RESU Manager should develop a risk assessment process to help Valley Water staff identify real estate transactions that will need extensive participation and review by District Counsel and a plan for key consultation points.	<p>Management Response: Management agrees with the recommendation. RESU staff will create a check list for potential risk factors associated with complicated acquisitions, for example, relocation or hazardous material issues, unwilling owner, or potential eminent domain matters. RESU will review potential risk factors with the project team early in the planning process to identify potential high-risk acquisitions and mitigation issues so that adequate schedule and budget can be considered for the project. RESU will also engage Legal counsel on complex legal issues and timing to resolve.</p>

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			<p>Target Implementation: December 2021</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendation.</p> <p>Update 12/10/21: 1. RESU participates in weekly and bi-weekly project meetins on high priority projects such as Coyote Creek and Anderson Dam projects. Current issues and challenges with property owners and timing of acquisitions are discussed with key team members so that the team can work together to resolve issues and anticipate next steps, which could include prepapring for Eminent Domain cases or negotiated settlements. 2. RESU has a standing monthly meeting with legal counsel to go over items, in order of priority, that are in the queue for review or approvals for internal routings, and to alert of high-level priorities coming.</p>
Real Estate Services Manager: Eli Serrano	6	To increase service delivery timeliness, Valley Water's CEO, in coordination with RESU's Manager, should work with District Counsel to evaluate the costs and benefits of developing additional templates for the different types of right-of-way agreements, with a goal of minimizing changes to these pre-approved standard contracts and reducing District Counsel's review time.	<p>Management Response: Management agrees with the recommendation. RESU will work with Legal Counsel Office to identify and create standard templates for various right of way agreements. Standard templates may be considered for the following real property interests: Temporary Construction Easement Temporary Construction Easement and Permanent Easement Fee-Full Take Fee-Partial Take Fee, Temporary and Permanent Easement Ingress/Egress Easement Permanent Easement</p> <p>Target Implementation: July 2022</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendation.</p>
Real Estate Services Manager: Eli Serrano	7	To enhance the effectiveness of capital project planning, the CEO should ensure the inclusion of RESU staff in early project design meetings for capital projects to assist project delivery teams with	<p>Management Response: Management agrees with the recommendation. Valley Water's current practice for capital improvement projects is to include key subject matter experts on its core project team. For projects that require right-of-way acquisitions, the project teams always include RESU staff. RESU staff</p>

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		budgeting for real estate transactions and planning for adequate time to process those transactions, identify potential challenges for transactions given the project design, and allow RESU time to plan for these transactions and potential property management needs.	<p>serves as a task leader in planning and executing right-of-way acquisitions for each project. RESU staff input has always been requested and then incorporated into each project's schedule and budget. Deputies of Capital Improvement Projects will ensure that each capital improvement project, that require acquisition of right-of-way, continue to have participation of RESU staff as a key core team member.</p> <p>Target Implementation: On-going</p> <p>Independent Auditor Response: The audit found that RESU staff were not always included in the early phases of project planning. Capital Project staff are solely responsible for defining and planning acquisitions and RESU executes the real estate transaction process for the acquisition as defined by Capital Project staff. The purpose of the recommendation is for Capital Projects staff, when defining the parameters of each acquisition, to consult with RESU to prevent delays to the acquisition timeline in the execution of the transaction process that occurs later in the project lifecycle.</p>
Real Estate Services Manager: Eli Serrano	8	To improve planning for the costs of real estate acquisitions, the RESU Manager should complete a one-time study on (A) the impact of property owner appraisals on acquisition purchase prices over the past five years to identify the differences in appraisal methodologies that led to different appraised values, and (B) the impact of a property owner's appraisal on the time to complete an acquisition. The RESU manager should share the research with District Counsel and Valley Water management to determine what changes, if any, should be made to the Valley Water acquisitions process.	<p>Management Response: Management agrees with the recommendation. RESU will research how to best complete a one-time study of the impact of property owner appraisals on acquisition purchase prices and to identify the differences in appraisal methodologies that led to different appraised values. The evaluation will also include the impact of a property owner's appraisal on the time to complete an acquisition. Based on evaluation, RESU will recommend and made changes, if any, to RESU procedures for property acquisition.</p> <p>Target Implementation: December 2021</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendations.</p> <p>Update 12/10/21: 1. A one-time study has been completed of a 5-year span of Valley Water properties acquired wherein there were instances of property owners appraisals that resulted in higher</p>

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			values as a settlement. As a result of this study, it was determined that 80% of property owners settled at the fair market appraisal value. The remaining 20% of property owners on average settled for more than 10% above the fair market appraised value. This information has been shared with District Counsel and Valley Water management. 2. It should be noted that pursuant to Code of Civil Procedure Section 1263.025, an owner may obtain an independent appraisal of the property that is being considered for acquisition for a public use. Should the owner obtain an independent appraisal, Valley Water will pay for the actual reasonable costs up to \$5,000. 3. It has been determined that current RESU practices are appropriate and adhere to current regulations.
Real Estate Services Manager: Eli Serrano	9	To ensure that Valley Water adheres to “just compensation” principles on delayed real estate acquisitions, Valley Water’s CEO should ensure the development of criteria that would require the ordering of an updated appraisal, especially when there is a potential conflict between project deadlines and the need for additional time to finish the acquisition process in accordance with Valley Water goals and state laws.	<p>Management Response: Management agrees with the recommendation. RESU will evaluate and update current policy and procedures regarding appraisal life expectancy (usually 6 months) and determine a trigger for requesting an updated appraisal in coordination with project team or owner. RESU staff will monitor status of each acquisition and recommend necessary updated appraisal to avoid delay to the acquisition schedule.</p> <p>Target Implementation: December 2021</p> <p>Independent Auditor Response: Valley Water management’s response satisfies the recommendation.</p> <p>Update 12/10/21: 1. In order to avoid delays to project acquisition schedules, RESU will evaluate each transaction and coordinate with the project team for current status and request updates as needed to reflect the current market of required right of ways. 2. RESU will continue to adhere and maintain Just Compensation practices. RESU will update current policies and procedures to make sure property owners are treated fairly and equitably according to Government Code and state laws.</p>
Real Estate Services Manager: Eli Serrano	10	To facilitate effective communication with property owners and those wanting to use Valley Water owned land, Valley Water’s CEO should leverage use of the existing	Management Response: Management agrees with the recommendation. RESU will discuss with Information Technology (IT) Department the needs to track all external stakeholder contacts (dates, purpose, status) and to be able to research those contacts

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		Customer Resources Management Information System. The CEO should allow its use by RESU and all divisions/units (Community Projects Review Unit (CPRU), Watersheds, Utility) that deliver real estate services to track all external stakeholder contacts (dates, purpose, status) and to be able to research those contacts before connecting with property owners; and develop communication protocols/scripts for use by RESU, Watersheds, and Utility when contacting property owners about the need to use or acquire parcels.	<p>before connecting with property owners. RESU will invite other units that interact with property owners, such as Community Projects Review Unit (CPRU) or other units in Watershed or Water Utility on this discussion. As IT Department develops or acquires proper software to support the tracking of external stakeholder contacts, they will provide training on this new tool to RESU, CPRU, and other.</p> <p>Target Implementation: July 2022</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendations.</p>
Real Estate Services Manager: Eli Serrano	11	To improve public confidence in its real estate services, the CEO should expand the information available on the Valley Water website about real estate services to describe generally the real estate acquisition process; provide brochures that explain the acquisition process and rights of property owners; provide a guide for property owners and other external parties showing which unit to call—either RESU or CPRU—depending on the service needed; and a frequently asked questions section.	<p>Management Response: Management agrees with the recommendation. RESU will work with Office of Communications to create a webpage site on valleywater.org to provide information to the public about the Real Estate Services Unit and the real estate acquisition process. The webpage will also include information on property owner rights, a FAQ page and related standard brochure, "When the Water District Buys Your Property." The webpage will also provide information on who at Valley Water to contact regarding acquiring or using a property right from Valley Water or doing property transaction with Valley Water.</p> <p>Target Implementation: July 2022</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendation.</p>
Real Estate Services Manager: Eli Serrano	12	To enhance Valley Water's fiscal performance and asset management strategy, the CEO should: (A) conduct an annual review of the fee schedules maintained by Valley Water to ensure that the fees cover the costs to lease, license,	<p>Management Response: Management agrees with the recommendation. CPRU will conduct an annual review of the Valley Water's fee schedules to ensure that the fees cover the cost to lease, license, and permit the use of its land. Currently, appraisals are performed for every request to establish fair market value. CPRU will recommend to the CEO revisions to the fee schedules as needed. We will include a clause in each lease/license to adjust the</p>

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		and permit the use of its, and (B) shorten the duration and establish regular fee adjustments on future longer term lease agreements.	<p>annual rate based on the Consumer Price Index (CPI) for San Francisco-Oakland-San Jose area. Additionally, for leases that have a term longer than 10 years, we will include a clause to review and revise the rate every 10 years.</p> <p>Target Implementation: December 2021</p> <p>Independent Auditor Response: Valley Water management's response satisfies the recommendation.</p> <p>Update 12/10/21: 1. RESU continues to work with CPRU and is committed to working towards an annual review of Valley Water's fee schedules to ensure that the fees cover the cost to leases, license, and permit the use of its land. To this end, RESU is coordinating with CPRU on a Watershed-wide appraisal matrix to establish zones of value to be used for calculating an annual fee schedule. 2. Currently, RESU maintains the practices of making adjustments for CPI adjustments and is a part of existing forms, procedures and practices.</p>
Real Estate Services Manager: Eli Serrano	Other Matters for Consideration	<p>Other Matters for Consideration - Should the Valley Water Board desire to update the current role of RESU from providing support services only to be a proactive partner in strategy planning for future water management activities, the Board could consider the following:</p> <p>A. Direct the CEO to develop a five-year strategic plan that includes a new mission, goals, and objectives for all Valley Water Real Estate Services (including asset management) that proactively meets the needs of future Valley Water projects, goals, and objectives. The strategic plan should include an implementation plan that addresses the following:</p> <p>1. Define the future roles and</p>	<p>Management Response: Management agrees to the additional recommendations. Management agrees that the roles and responsibilities of RESI and CPRU can be clarified and communicated better so that the public can have a better understanding of the services provided and proper points of contact at Valley Water.</p> <p>Management agrees that the roles and responsibilities for real property asset management need to be developed and implemented and Valley Water has already begun this effort. In 2019 Valley Water created the Lands Management Program to lead agency-level coordination for many of the broad aspects pertaining to lands management activities. The lands management function is resided in the Watershed Business Planning & Analysis Unit (WBPAU). Additional information on the roles and responsibilities of those 3 units will be posted on Valley Water Web Page as needed so the public can understand better and know who to contact for services provided by those 3 units.</p>

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		<p>responsibilities for each unit that delivers or helps to deliver real estate and asset management services. If Valley Water continues to use its current organizational structure to deliver real estate services, roles and responsibilities should be identified by each type of real estate service and asset management function and function performed, clear lines of accountability created for each unit performing each task, and key points of coordination and collaboration across the units defined.</p> <p>2. Assess the feasibility of consolidating the delivery of its real estate services and permitting services by combining the RESU and CPRU into a single unit to leverage opportunities. Consolidation will make the real estate transaction process and property management activities more efficient and effective, as well as providing a one-stop shop to constituents.</p> <p>3. Describe how Valley Water will collect, analyze, and verify the accuracy of data about its real property to allow Valley Water management to perform effective business analytics.</p> <p>4. Develop a communication strategy that address how Valley Water will promote a culture of information sharing and enterprise-wide decision making both internally and externally, for delivery of its real estate services.</p> <p>5. Develop an asset management strategy.</p>	<p>Target Implementation: July 2021</p> <p>Management does not agree with the recommendation to combine RESU and CPRU to make real estate transaction process property management activities more efficient and effective, as well as providing a one-stop shop to constituents. Currently, RESU and CPRU are in the Watersheds Design & Construction Division under the Chief Operating Officer Watersheds. These units have clear roles and responsibilities, and a portion of their functions involves Valley Water real property. They coordinate and collaborate with each other and other units/operations for management and protection of Valley Water real properties. RESU is responsible for real estate services which includes buying and selling property, leasing and licensing of non-residential and residential properties, as well as negotiation, appraisal, title, and relocation services. CPRU is responsible for protecting Valley Water Watersheds and Water Utility assets and interests from external activities and threats as defined by the Water Resources Protection Ordinance. CPRU accomplishes this through the review of development projects from external parties and issuance of encroachment permits for activities on Valley Water rights of way, and ordinance enforcement for activities undertaken without appropriate permits. The issuance of encroachment permits for long term uses of Valley Water property may include a license or lease which is established by CPRU staff and managed by RESU.</p> <p>Target Implementation: On-going operations</p> <p>Management agrees that having a central location for information related to its real property can facilitate effective evaluation and decision making. Data about Valley Water's real property is collected and analyzed by CPRU and WBPAU. CPRU is responsible for verifying the accuracy of land rights data shown in GIS and to correct the Land Parcels, Fee, and Easement layers for Valley Water real property. As needed, CPRU staff provides corrections to the County of Santa Clara Assessor to ensure that Valley Water's ownership data is represented accurately in County of Santa Clara's</p>

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		<p>B. Direct the CEO to begin a plan to implement a new, off-the-shelf real property and asset management software to track and capture all real property activities, including transactions, encroachment permits, contact management, lease/permit management, and workflow management performed by RESU and CPRU. The system should support business analytics for real property management, enhancing delivery of real estate services using technology.</p>	<p>records. WBPAU is in the process of procuring and implementing an Enterprise Content Management (ECM) system that will be utilized as an agency-wide central repository for documents and information pertaining to Valley Water land rights and obligations. As appropriate, metadata and summarized information on real property documentation will be incorporated in the ECM system so that Valley Water staff can query and retrieve real property information and perform analytics-based evaluations as needed to support strategic decision-making. Part of the Land Management Program will enhance the utilization of Geographic Information System (GIS) functionality to expand access to information on real property rights and obligations, and will advance the integration of internal GIS systems with many of the documents and associated information that will be stored in the ECM system.</p> <p>Target Implementation: July 2022</p> <p>Management agrees to develop a communication strategy that addresses how Valley Water will promote a culture of information sharing and enterprise-wide decision making. We are planning to: Develop, enhance, and/or consolidate internal and external web pages to provide easily accessible information to Valley Water staff and the public pertaining to real estate services program descriptions, policies and processes, roles and responsibilities, and contact information.</p> <p>Hold regularly scheduled internal coordination meetings with relevant business areas to ensure strategic alignment, information sharing, and coordinated execution of business processes.</p> <p>Explain the utilization of information technology solutions to aid in the access and distribution of real property information to contribute to coordinated and strategic decision-making.</p> <p>In addition to maintaining the Fee and Easement GIS layers, CPRU has created layers for: Adopt-a-Creek locations (adopted and available segments), Encroachments (Fee, Easement and Suspected), Joint Use Agreement locations (with links to the JUA documents), and is in the process of populating a layer representing the locations of Agreements and Leases (which will also contain</p>

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			<p>links to the relevant documents). These are all updated as new information becomes available. The Adopt-a-Creek and Encroachment layers (with the exception of the Suspected Encroachments) are available to all staff via the GIS data menu. The Joint Use Agreement layer has been made available to the Maintenance and Vegetation Management staff to facilitate their work and will be added to the data menu shortly. Members of the public can request deed information about or Fee and Easement rights and pipeline or creek plans at any time.</p> <p>Target Implementation: July 2021</p> <p>Management agrees with the recommendation to develop an asset management strategy. WBPAU is developing the Lands Management Program and is responsible for coordination for many of the broad aspects pertaining to lands management activities. WBPAU will continue to develop and implement an integrated real property asset management strategy to align the acquisition, sustainment, use, and disposal of real property with agency goals, objectives, and service delivery requirements. Several of the components of a real property asset management strategy noted below are currently in development and will continue to be advanced by the Lands Management Program in collaboration with RESU, CPRU, and other business areas throughout Valley Water:</p> <ul style="list-style-type: none"> Short and long-term asset management goals and objectives. A strategic property evaluation process for real property acquisition (fee and easement), surplus sale, and easement termination. Integrated process(es) for the planning and budgeting, acquisition, sustainment, and disposition of real property. Leveraging of information technology solutions to inventory and track real property assets and provide centralized access to real property documents and information. Coordination for the planning and execution of corrective, preventative, and deferred maintenance. Consolidated information on real property ownership and current use. Land use planning assessments.

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			<p>Use of industry standards and benchmarks for continuous improvement. Mechanisms to periodically measure progress, assure continued relevance, and update asset management strategy as necessary.</p> <p>Target Implementation: July 2022</p> <p>C. RESU will work with Information Technology (IT), CPRU and Facilities Management to collaboratively analyze the current software systems and capabilities, including transactions, encroachment permits, contact management, lease/permit management, and workflow management performed by RESU. RESU will work with IT staff and discuss future integrations and updates which will include feedback from other departments involved in the Real Estate/Property Management and Asset Management processes. RESU will implement training for staff which will provide transparency on the basic uses of the current RESU system by providing tutorials and help menus for continued assistance. The end product and objective are to ensure that Valley Water staff has all the tools needed to access Valley Water owned property information, as needed in a clear and easy to access method.</p> <p>Target Implementation: July 2022</p> <p>Independent Auditor Response: The Auditor has presented these as matters for consideration only. We commend Valley Water for their proactive response. The matter regarding assessing the feasibility of consolidating the CPRU and RESU units were developed with an emphasis on improving service delivery for Valley Water residents. Upon completion of clarifying roles and responsibilities between the two units, identify opportunities for continued collaboration and coordination to better serve customers.</p>

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Office of Civic Engagement	1	<p>Valley Water should consider developing clear guidelines for “right-sized” application and reporting processes, meaning that application and reporting requirements should be scaled to fit the size, risk, and complexity of each individual grant: a. Valley Water should develop a formal due diligence policy and perform a due diligence review for high risk grant projects. A due diligence review of applicants determines the reasonableness of the grant and grantee’s ability to perform and assess the extent of the grantee’s reliance on grant funds. This would include analysis of managerial and fiscal capacity and past performance. For example, verify grantees have the requisite financial management systems that will produce invoice detail required by the grant agreement, or, gain an understanding of the type of system capabilities the non-profit has to assess whether they can comply with financial reporting required by the grant agreement. b. For high-risk grants where financial statements are required, analyze fiscal health indicators of the entity and formalize the analysis within the grant file. For areas where Valley Water already implements a number of best practices such as checking GuideStar to verify the non-profits current status and to view the</p>	<p>Management agrees with the concept of “right-sizing” the application and reporting processes. a. Management agrees that assessing the risk for grant projects would increase the agency’s due diligence to prevent fraud and waste. An initial risk assessment would also help staff evaluate if any additional special provisions or tailored invoicing requirements and/or review are recommended in the agreement and during the grant monitoring. Management recommends that the risk assessment be conducted after the grant is awarded and before grant agreement is executed, and reviewed with the grantee at the mandatory kick-off/orientation meeting. The development and implementation of a risk assessment review and financial reporting system compliance review could also lengthen the time between award and execution of the agreement. These processes would require collaboration with subject matter experts in Risk Management and Finance. Staff will continue to review each invoice as it is submitted, in addition to conducting the risk assessment. Management also recommends that the grant agreement include a clause that grantees are still responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees understand and are held accountable for being responsible stewards of public funds, especially if they know staff is not reviewing invoices. b. Management agrees with requiring financial statements from applicants. currently, all standard grant applicants are required to submit audited financial statements or Form 990 as part of the standard grant application. This is not required for mini-grants or partnerships. Applicants and grantees have expressed that audited financial statements are costly and not feasible for smaller non-profit organizations. Therefore, Valley Water accepts the Form 990 as an alternative to audited financial statements. The audited financial statements and Form 990 are memorialized in the grantee’s project application, which turns into the project file, in the Fluxx grants management system. Staff will continue to review each invoice as it is submitted, in addition to requiring the audited</p>

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		<p>grantee’s IRS Form 990, staff should also memorialize its analysis in the grant file.</p> <p>c. For smaller non-profits or community groups, based on risk, Valley Water should consider simplifying reporting requirements or developing alternative requirements for projects under a dollar threshold, like \$25,000, or establish a tiered structure and treat smaller projects similar to mini-grants.</p>	<p>financial statements. This financial review would be completed during the application process to serve as another due diligence check to ensure public funds are awarded to organizations with financial capacity and sustainability to carry out the requirements of the project. Invoice review levels would be determined during the risk assessment after the funding is approved by the Board. c. Management agrees with simplifying reporting requirements and recommends using the risk assessment to identify the tiered thresholds, instead of setting a dollar amount. While the dollar amount is identified per project, the collective number of projects within that dollar amount could add up to be a high dollar amount granted with minimal oversight. Target Implementation: July 2021</p> <p>1/5/2022: Staff is in the process of hiring a consultant to “right-size” the grants guidelines, develop a due diligence policy and review process, and develop a process to analyze grantee fiscal health. This consultant will also help to create definitions specific to the grants program, such as “high and low risk.”</p> <p>Staff is also working on other ways to “right-size” the grants guidelines and simplify reporting requirements for smaller projects. For example, the only reporting requirement for mini-grant projects is a one-page final project fact sheet that summarizes the project outcomes upon completion--no receipts or other supporting documentation is required. Staff also implemented an insurance waiver process for low-risk grant projects.</p> <p>Staff also developed the new Bottle Filling Station grant funding opportunity to include a shorter agreement, fewer required reviewers and a shorter routing time, a streamlined CEQA review using a checklist, no insurance requirements, and a photo as the reporting requirement.</p>
Office of Civic Engagement	2	As new grants are awarded, an orientation for new grantees should be mandatory, and Civic Engagement should provide an electronically accessible grantee guide,	Management agrees with requiring a mandatory orientation for new grantees. Staff began implementing kick-off/orientation meetings with grantees after agreement execution in early FY21. During the kick-off meeting, staff review and explain all

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		<p>outlining all requirements for programmatic and financial reporting compliance. This can be as simple as compiling existing documents, developing reporting templates and developing a process map and including instructions on who to call based on the nature of the question.</p>	<p>expectations and requirements as specified in the agreement, as well as provide an orientation on the Fluxx grants management system. The agreement templates for standard and mini-grants include the invoicing and reporting templates and staff contact information. Staff will develop process maps and instructions for grantees. Staff utilize this opportunity to set clear expectations on the reporting dates, which includes reporting even if there are no invoices; invoice documentation requirements; and timeline for reimbursements.</p> <p>Management recommends that this orientation also include a review of the assessment of the grantees' financial management systems and the risk assessment outcomes once those processes and criteria are developed. Staff will continue to meet with grantees after their agreement is executed, and program staff will remain available and accessible to all grantees throughout the process. Staff will update the agreement template to include the kick-off/orientation meeting as a mandatory activity.</p> <p>Target Implementation: January 2021</p> <p>1/5/2022: Staff began implementing kick-off/orientation meetings with grantees after agreement execution in early FY21. During the kick-off meeting, staff review and explain all expectations and requirements as specified in the agreement, as well as provide an orientation on the Fluxx grants management system. The agreement templates for standard and mini-grants include the invoicing and reporting templates and staff contact information. Staff remain available and accessible to all grantees throughout the process. Since April 2021, staff have conducted kick-off/orientation meetings with all new standard grantees. Staff send an onboarding email to mini-grantees with the grant information as part of the award notification.</p> <p>A consultant was hired to create a Grantee Guide to outline processes and procedures for applicants and grantees. These documents are expected to be completed by June 2022.</p>
Office of Civic Engagement	5	In addition to right sizing invoicing requirements based on the grant's risk	Management agrees and staff will develop "right sized" reporting guidelines and criteria along with the development of the new

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		<p>level, Valley Water should right-size the level of progress reporting detail required for smaller dollar value standard grants, for example, under \$25,000.</p>	<p>grants program under Measure S, which will begin in FY22. Currently, progress reporting is based on the scope and deliverables identified by the grantees and outlined in the executed grant agreement. Staff refers to the original grant agreement and ensures that what is in the grant agreement is being reported in the progress report. Staff does not request additional reporting outside of what is listed in the agreement. Target Implementation: July 2021</p> <p>1/5/2022: Staff is working with Contracts to hire a consultant to “right-size” the level of progress reporting detail for smaller dollar value standard grants. This consultant will also help to create definitions specific to the grants program, such as “high and low risk.”</p> <p>Currently, the only reporting requirement for mini-grant projects is a one-page final project fact sheet that summarizes the project outcomes upon completion. No receipts or other supporting documentation is required. Staff also implemented an insurance waiver request form and process for low-risk grant projects.</p> <p>Staff is developed the new Bottle Filling Station grant funding opportunity to include a shorter agreement, fewer required reviewers and a shorter routing time, a streamlined CEQA review using a checklist, no insurance requirements, and a photo as the reporting requirement.</p>
Office of Civic Engagement	6	<p>Valley Water should explore where, within existing District policies, it can augment grant requirements for grant agreements and invoicing for certain grantees based on risk: partnerships, repeat grantees, establish grant value thresholds, and determine whether the number of approvals and signatures for payments are appropriate. At a minimum, for smaller, lower risk grants, Valley Water should re-</p>	<p>Management agrees that assessing the risk for grant projects would increase the agency’s due diligence to prevent fraud and waste. An initial risk assessment would also help staff evaluate if any additional special provisions or tailored invoicing requirements and/or review are recommended in the agreement and during the grant monitoring. Staff recommend that the risk assessment be conducted after the grant is awarded and before the grant agreement is executed, and reviewed with the grantee at the mandatory kick-off/orientation meeting. The development and implementation of a risk assessment review and financial reporting system compliance review could also lengthen the time between</p>

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		<p>assess its reporting and invoicing requirements based on risk, dollar value, and project complexity. a. For example, Valley Water could treat grant agreements up to \$25,000 like mini-grants and expedite payment for low-risk grants and low dollar amount invoices from trusted long-term grantees. Valley Water could consider paying unquestioned amounts earlier, and focus more scrutiny on riskier, larger dollar amount invoices from new grantees. b. Valley Water could also consider reimbursing expenses when invoiced and then using the closeout process to reconcile remaining amounts below a reasonable threshold. For example, if a grantee bills \$10,000 for its performance, and Valley Water questions \$500 of that amount, it could consider paying the unquestioned amount first, then resolve the questioned amount by project. c. Staff should focus their review on whether grantee costs are reasonable, allocable and allowable in accordance with the project budget and grant agreement guidelines. Spot checks would be performed to ensure calculations are correct and that receipts match the totals. The level of scrutiny applied and depth of review would be based on the grant and grantee risk factors, as determined by management.</p>	<p>award and execution of the agreement. These processes would require collaboration with subject matter experts in Risk Management and Finance. The risk assessment would supplement staff's review of each invoice. Management also recommends that the grant agreement include a clause that grantees are still responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees understand and are held accountable for being responsible stewards of public funds, especially if they know staff is not reviewing invoices. Management recommends considering equity and inclusion in the development of the risk assessment guidelines and criteria. Applying varying standards for returning grantees would result in inequitable treatment and would disproportionately provide privilege to grantees who are already familiar with the grants program. The grants program continues to improve and be updated, so meeting the prior requirements may or may not mean that a returning grantee meets and understands the current program requirements. Additionally, varying guidelines and criteria per grantee agency could deter new agencies from applying if they feel that returning grantees have an advantage. a. While management agrees with the concept of streamlining the invoicing process, management feels that this approach may also expose Valley Water to potential complaints of disparate and inequitable treatment. Management recommends the following alternative as a consideration to avoid being vulnerable to such complaints. Management recommends developing and implementing a spot check process to review and/or audit grantees using an outside consultant, if the Board adopts this recommendation. While some grantee agencies are returning applicants and grantees, those agencies may have new staff managing the projects. Therefore, even though the grantee agency is not new, the agency staff changes does not guarantee that the projects are carried forward consistently. Staff agrees with simplifying reporting requirements and recommends using the risk assessment to identify the tiered thresholds, instead of setting a dollar amount. While the dollar amount is identified per project, the collective number of projects</p>

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			<p>within that dollar amount may add up to be a high dollar amount granted with minimal oversight. b. Management agrees with this recommendation and will formalize this process. Staff currently implements this practice informally, depending on the type of outstanding items are included in the invoice. Staff will develop “right sized” invoicing guidelines and criteria along with the development of the new grants program under Measure S, which will begin in FY22. c. Management agrees, and staff currently focuses their review on grantee costs that are not reasonable, allocable and allowable in accordance with the project budget and grant agreement guidelines, such as items that were not included in the budget; costs that are not related to any identifiable/reportable work in the grant scope; costs that have no supporting documentation; overspending on a specific task without prior approval; and submitting reimbursement requests for activities that have already been paid out. These improper payment requests are sometimes due simply to grantee staff turnover, among other factors.</p> <p>Target Implementation: July 2021</p> <p>1/5/2022: Staff is working on hiring a consultant to “right-size” the grant reporting and invoicing requirements based on risk, dollar value, and project complexity, and develop processes for risk assessment and financial reporting system compliance. This consultant will also help to create definitions specific to the grants program, such as “high and low risk.”</p> <p>Staff is approving partial payment for unquestioned amounts in invoice reimbursement requests or withholding a 10 percent retention that is approved for payment after the required supporting documentation has been submitted.</p>
Office of Civic Engagement	7	Should Valley Water decide to continue to require the same information for progress and invoice submission, they should: a. Confirm the integrity of grantee financial management system data used for review before award. b. Include language in the	Management will develop “right sized” invoicing guidelines and criteria along with the development of the new grants program under Measure S, which will begin in FY22. The items recommended below will be analyzed in the development of the new guidelines. a. Management agrees that confirming the integrity of the grantee financial management system data before award is warranted. One

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		<p>grant agreement such as, “Failure to submit an accurate financial invoice in a timely manner may result in payments being withheld, delayed, or denied, and will result in payment delays”.</p>	<p>caveat is that these additional steps of both developing and implementing a risk assessment and financial reporting system compliance review could lengthen the time on the front end of the process, between the award period and the final execution of the agreement. The development and implementation of these processes would require collaboration with subject matter experts in Risk Management and Finance. Management agrees with this recommendation to clearly state that an accurate financial invoice is required to complete the payment request. Staff also recommends including language in the template grant agreement for grantees to consent to still being responsible and accountable for the proper use and management of public funds throughout the duration of the grant agreement. This agreement language would help assure that grantees follow through with being responsible stewards of public funds, especially if they know staff is not reviewing invoices. These expectations would be reviewed with the grantee during the kick-off/orientation meeting after the agreement is executed. Target Implementation: July 2021</p> <p>1/5/2022: Staff is working on hiring an outside consultant to “right-size” the grant requirements for agreements and invoicing based on the grant’s risk, dollar value and project complexity.</p> <p>The auditor’s suggested language has been incorporated into the agreement templates for standard grants and partnerships. Additionally, the agreements and invoice template currently require the grantee’s authorized signatory to sign the following statement upon submitting an invoice: “I certify, under penalty of perjury under the laws of the State of California, that the Quarterly/Monthly Status Report and all attachments, signed on the date below, on behalf of Grantee, were prepared under my direction or supervision in accordance with a system designed to ensure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is to the best of my knowledge and belief, true, accurate,</p>

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			and complete. I am aware that there are significant penalties for submitting false information, including the loss of the current and future Grant Funding.”
Office of Civic Engagement	10	Valley Water should prioritize developing a grants management operations manual containing all relevant policies and procedures.	<p>Management agrees with this recommendation and believes it will help streamline the overall grants process and enhance grantee understanding of and compliance with all procedures. A grants management operations manual will be developed prior to the implementation of the new grants program under Measure S, which will begin in FY22. Target Implementation: March 2021</p> <p>1/5/2022: A consultant has been hired and is drafting the Grants Manual to outline processes and procedures for staff. These documents are expected to be completed by June 2022.</p>

2021 PERMITTING BEST PRACTICES AUDIT			
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Community Projects Review Unit (CPRU)	1	The Watersheds' Chief Operating Officer should consolidate overlapping functions between CPRU and other Valley Water units (such as real estate transactions to RESU and CEQA reviews to the Environmental Planner) to reduce CPRU staff workloads and allow CPRU staff to focus on the provision of permit services.	<p><u>Management Response:</u> Management agrees with the recommendation</p> <p>CPRU's critical function is to protect Valley Water assets where community and land development activities overlap. In doing so, staff collaborates with a wide variety of Valley Water staff. CPRU will brainstorm with RESU and Environmental Planning Unit ways to engage SMEs in these units to streamline workflow processes. In addition, Valley Water will be hiring an environmental planner which will help to reduce the overlap of this function. Target Implementation Date: March 2022</p> <p><u>Auditor Response:</u> Management's response generally satisfies the recommendation.</p> <p>This recommendation is closely related to the Independent Auditor's recommendations to the Watersheds' Chief Operating Office to evaluate the feasibility of consolidating the CPRU and RESU to better streamline activities implemented by each unit, as described in a prior performance audit of the Real Estate Services Unit (Real Estate Services can be a More Effective Resource for Valley Water).</p> <p>A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>
Community Projects Review Unit (CPRU)	2	The CPRU Manager should complete standardization of permit review policies, practices, roles, and responsibilities.	<p><u>Management Response:</u> Management agrees with the recommendation. CPRU will update and complete the existing permit review policies, practices, and instruction guidance for various types of transactions to bring consistency in the review of projects. Target Implementation Date: June 2022</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation.</p>

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			A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.
Community Projects Review Unit (CPRU)	3	The CPRU Manager should develop and implement a training program that includes various courses on: a. Permit processing for new and inexperienced staff, which will reduce time spent on final review and approval of draft permits. b. Customer service, building on the training experience of some CPRU staff completed earlier this year. c. Risk management, through coordination with the Valley Water Risk Manager, on Valley Water's insurance requirements.	<u>Management Response:</u> Management agrees with the recommendation. a) CPRU Manager and experienced staff will share their knowledge on permit processing and hold training sessions on permit review and processing, and guidance instructions for staff. b) CPRU Manager will incorporate customer service protocol into staff training sessions and look for training opportunities in the area of customer service and encourage staff to take the training. c) CPRU Manager and experienced staff will coordinate with Valley Water Risk Manager to develop and implement a training program to educate new staff on a regular basis and develop a guide sheet for customers. Target Implementation Date: March 2022 <u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.
Community Projects Review Unit (CPRU)	4	The CPRU Manager should establish criteria for the order in which permit applications will be reviewed, who has the authority to authorize exemptions from that process and under what special circumstances authority could be delegated to issue a permit.	<u>Management Response:</u> Management agrees with the recommendation. CPRU Manager will establish criteria for the order in which permit applications will be reviewed. Typically, the projects submittals are reviewed in the order they are received. The criteria will provide guidance for exceptions, which may be made on a case-by-case basis or as directed by the Permit Authority (CPRU Manager is designated as the Permit Authority). Prior to the planned absence of Permit Authority or other special circumstance, Permit Authority will designate an acting staff member authorized to issue a permit. Target Implementation Date: March 2022 <u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this

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			recommendation should be included in the annual audit work plan for 2023.
Community Projects Review Unit (CPRU)	5	The CPRU Manager should assign customer liaison responsibilities (to one or two individuals) to ensure consistent and timely communication on permit applications to help meet customer expectations.	<p><u>Management Response:</u> Management partially agrees with the recommendation. In general, the assignment of liaison responsibilities will increase confusion and will take more time of the staff reviewing the permit to provide and explain the details of customer’s request to the liaison. CPRU Manager will explore the role of a liaison where this may increase efficiency and coordinate with IT to explore other tools to integrate with the database (See response to Recommendation 6). CPRU Manager will request additional resources from Management. Use of additional technicians to assist in background research for projects and review of routine, low-risk tasks will free up time to allow engineers to ensure consistent and timely communication on permit applications. Target Implementation Date: October 2022</p> <p><u>Auditor Response:</u> Management’s response generally addresses the recommendation. The use of additional resources – either a liaison or technician(s) – to perform provide customer service, would allow engineers more time to perform the technical reviews of permit applications and help to reduce review times. These additional resources may be critical to meeting customer’s expectations while Valley Water’s planned implementation of a new information systems for customer resource management (CRM) is undertaken that will also interface with another new information system that is planned to replace the current CPRU database. A follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>
Community Projects Review Unit (CPRU)	6	The CPRU Manager, in collaboration with Valley Water Information Technology Unit, should continue efforts to identify and implement the solutions for desired functionality needed to strengthen permit processing, which include:	<p><u>Management Response:</u> Management agrees and will approach the implementation of this recommendation in phases: 1. Modernize processes, support submission of permit applications, track requests, complete reviews, facilitate online reporting for customers and reduce administrative burden of tracking and</p>

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		<p>a. Electronic submission of permit applications and supporting documents that automatically creates an electronic permit review file.</p> <p>b. Expanded search function for researching past projects and permits.</p> <p>c. Customizable dashboards and/or reports that facilitate management oversight of permit processing timeliness, invoice aging, and other measures of performance.</p> <p>d. Tools, such as a request form or ticketing system, to help CPRU track requests for services in addition to permit reviews received from internal and external stakeholders.</p> <p>e. Ability for customers to self-check the status of their applications and other service requests through interface of the new customer resource management system with the new document management system.</p> <p>f. Minimize the administrative burden of tracking and reporting time spent on permit review and other asset protection services by CPRU and other Valley Water units.</p>	<p>reporting through the selection and implementation of a new CPRU online portal. Management will consider options to include this functionality within other active projects such as the Wells Management System Upgrade and Access Valley Water. (6a, d, e, f)</p> <p>2. Expand search/research functions and reduce administrative burden via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022. (6b, f)</p> <p>3. Create Dashboards and reports via the implementation of the Data Consolidation Capital Project Proof of Concept currently underway and scheduled for completion in October 2022, the ERP Capital Project currently underway. (6c)”</p> <p>Target Implementation Date: Varies</p> <p><u>Auditor Response:</u> Management’s response generally addresses the recommendation. A target date to complete all activities should be established and a follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>
Community Projects Review Unit (CPRU)	7	The CPRU Manager should renew regular consultations with other member agencies of the Water Resources Protection Collaborative to allow CPRU to plan for upcoming large land review development requests and to establish a	<p><u>Management Response:</u> Management agrees with this recommendation. CPRU Manager will contact the cities within Santa Clara County to establish a process or set up regular coordination meetings to plan for upcoming large land development projects. CPRU Manager will explore tools with IT that allow staff to set a trigger and inform of the status of existing agreements several months before the expiration to allow sufficient time for renewal or</p>

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		process for monitoring the status of existing agreements.	renegotiation. CPRU staff will also establish a periodic check in with each city to review responsibilities under these agreements. Target Implementation Date: June 2022 <u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.
Community Projects Review Unit (CPRU)	8	The CPRU Manager, in coordination with the Valley Water Risk Management Unit Manager, should develop communication strategies, such as instructional videos, screen shots, and/or brochures to make it easier for applicants and insurance brokers to understand Valley Water's insurance requirements.	<u>Management Response:</u> Management agrees with this recommendation. CPRU Manager and staff will coordinate with Risk Management Unit Manager to develop communication strategies and re-evaluate the existing insurance requirements to align with the most up-to-date standards in the insurance practices, to make it easier for applicants and insurance brokers. Target Implementation Date: March 2022. <u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.
Community Projects Review Unit (CPRU)	9	The CPRU Manager, with the assistance of the Watershed's Chief Operating Officer, should explore the feasibility of adopting strategies of other local agencies to promote their permit services, such as: a. Change the name of CPRU to a name that better describes its functions. b. Adopt a new model for the allocation of work among staff to minimize delays due to heavy demand, such as separating the roles of project coordination from technical review. c. Conduct regular outreach by letter or	<u>Management Response:</u> Management agrees with this recommendation. a. CPRU Manager will explore and brainstorm with staff and stakeholders to consider change of unit's name. (Target Date: March 2022) b. CPRU Manager will ascertain a new model to consider separation of project coordination from technical review for low-risk, repetitive permit applications and will request additional resources to pursue implementation of the new model. (Target Date: October 2022) c. CPRU Manager and staff will work with Communication Unit to conduct outreach to neighboring property owners, engineering consulting firms, and city staff describing Valley Water's permit process, and how to access the services. (Target Date: June 2022) Target Implementation Date: Varies

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		other communication to neighboring property owners (and to new buyers of neighboring property) describing Valley Water's permit services, the reason for the permit process, and how to access the services.	<u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.
Community Projects Review Unit (CPRU)	10	Valley Water's CEO, with approval of the Board, should consider setting a goal for cost recovery from fees charged for permit services.	<u>Management Response:</u> Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022 <u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.
Community Projects Review Unit (CPRU)	11	The CPRU Manager, in coordination with the Valley Water Chief Financial Officer, should update the current fee schedule based on the results of a fee study. The study should evaluate charging an hourly rate for inspections completed versus the current flat inspection fee.	<u>Management Response:</u> Management agrees and will engage a consultant to assist with updating the fee schedule for Board approval, which incorporates an analysis of a target cost recovery goal. Target Implementation Date: August 2022 <u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.
Community Projects Review Unit (CPRU)	12	The CPRU Manager should adopt a risk-based permit review strategy to reduce processing time for low-risk, repetitive types of permit applications. Clarify in the strategy how time spent on the review of permit applications and other processing tasks should be tracked and invoiced.	<u>Management Response:</u> Management agrees with this recommendation. CPRU Manger will consider strategies to reduce processing time for low-risk, repetitive types of permit applications. CPRU Manager and experienced staff, through permit guidance instructions will add further clarity for new and less experienced staff and reduce ambiguity in the process. (Target Date: June 2022) Implementation of Recommendation 6 via the implementation of the Data Consolidation Capital Project Proof of Concept and the ERP

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Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>Capital Project and the results of the fee study with the implementation of Recommendation 11, and results from Recommendation 13 will provide better information and insight to strategize the tracking and invoicing of permit applications and other processing tasks. (Target Date: June 2023 depending on the research outcome in Recommendation 13) Target Implementation Date: Varies</p> <p><u>Auditor Response:</u> Management's response generally satisfies the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>
Community Projects Review Unit (CPRU)	13	The CPRU Manager and the Chief Financial Officer should seek to identify an IT solution to ensure timely and accurate recording of invoices, payments, and deposits. One option to consider is to use Valley Water's core financial management information system.	<p><u>Management Response:</u> Management agrees and will engage in the research, specification, selection, procurement, and implementation of a comprehensive tool capable of ensuring accurate recording of invoices, payments, and deposits. Target Implementation Date: June 2023 depending on research outcome.</p> <p><u>Auditor Response:</u> Management's response generally addresses the recommendation. A follow-up audit to assess CRPU's efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>
Community Projects Review Unit (CPRU)	14	The CPRU Manager, in coordination with the Chief Financial Officer, should establish processes for invoicing and collection of payments that includes a robust framework of financial management internal controls, in particular the segregation of duties for billing and collections; cash management; monitoring of aging receivables; and reconciliation.	<p><u>Management Response:</u> Management agrees and will approach the implementation of this recommendation in phases:</p> <ol style="list-style-type: none"> 1. Implement the suggested financial management internal controls under the current CPRU data base system, (Target date – July 2021). 2. Engage a consultant to assist in the development of a billing and revenue collection policy that incorporates best practices (Target date – March 2022). 3. Implement an IT solution for invoicing that is linked to Valley Water's core financial system and aligns with Valley Water's billing and revenue collection policy (Target date – June 2023 depending

2021 PERMITTING BEST PRACTICES AUDIT

Action Item Owner	Ref #	Summary of Recommendation	Updates/Notes
			<p>on the research outcome (R13) Target Implementation Date: Varies.</p> <p><u>Auditor Response:</u> Management’s response generally addresses the recommendation. A follow-up audit to assess CRPU’s efforts to implement this recommendation should be included in the annual audit work plan for 2023.</p>



Santa Clara Valley Water District

File No.: 22-0112

Agenda Date: 1/19/2022

Item No.: 4.5.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

South Bay Clean Creeks Coalition Partnership Agreement.

RECOMMENDATION:

Receive information on the South Bay Clean Creeks Coalition (SBCCC) Partnership Agreement.

SUMMARY:

After a series of exchanges of emails between Valley Water staff and the South Bay Clean Creeks Coalition (SBCCC), on December 7, 2021, Mr. Steve Holmes, of the SBCCC, sent an email to Director Gary Kremen and Director Richard Santos (Attachment 1) expressing his concerns regarding Valley Water's grant process. On December 14, 2021 Valley Water staff sent a letter to Mr. Holmes expressing concerns with regard to SBCCC's efforts in meeting with Valley Water staff as requested and meeting the requirements of the agreement (included in Attachment 2). On December 26, 2021 Mr. Holmes emailed CEO, Rick Callender and Assistant CEO Melanie Richardson expressing concerns with the grant process and Valley Water staff efforts. On December 27, CEO Callender emailed Mr. Holmes (Attachment 2) to inform him that as CEO he would be asking for an independent 3rd party management review to be conducted to evaluate, review, and make recommendations surrounding the allegations asserted by both Valley Water staff and the SBCCC.

As this matter directly relates to recommendations from the 2020 Grant Management Audit, executive management has instructed staff to engage one of the third-party consultants assisting with management audits to take on this 3rd party management review. Upon conclusion of the 3rd party management review staff will return to the Board Audit Committee to present the results of the review and recommendations.

ATTACHMENTS:

Attachment 1: SBCCC Communication to Valley Water

Attachment 2: Valley Water Communication to SBCCC

File No.: 22-0112

Agenda Date: 1/19/2022
Item No.: 4.5.

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

From: Gary Kremen <GKremen@valleywater.org>
Sent: Tuesday, December 07, 2021 4:38 PM
To: Michele King <MKing@valleywater.org>
Subject: Fwd: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Please distribute to audit committee

Gary Kremen

Begin forwarded message:

From: Steve Holmes <s.holmes@sbcleancreeks.com>
Date: December 7, 2021 at 1:05:40 PM PST
To: Gary Kremen <GKremen@valleywater.org>, Richard Santos <rsantos@valleywater.org>
Cc: Rick Callender <rcallender@valleywater.org>
Subject: Fwd: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

To: Dick Santos & Gary Kremen

From: Steve Holmes, South Bay Clean Creeks Coalition

Subject: Partnership Grant #33144

Attached you will find the past couple months of correspondence with VW Staff as we have been asked to revisit an executed grant from 2019. This review/overhaul has been on-going since April 2021 and been fraught with delays and reworks. At this point, my staff has told me that they refuse to administer Valley Water Grants. I'm pretty sure that modifying an executed contract is not a unilateral decision. I was hesitant to share these issues out of concern for repercussions with the many staff members I interface with at the District but this grant situation is toxic, robbed our group of the limited working hours available and ultimately been a fiscal drain on our monetary resources.

SBCCC has secured several grants via Clean, Safe Creeks Grants funding and has demonstrated our ability to execute all aspects of those previous grants. We also have numerous grants through other entities including County of Santa Clara, City of San Jose, Google, Knight Foundation, Sharks Foundation. This VW grant process is broken. I along with many of my partners are reluctant/ unlikely to submit grant requests due to how difficult and time consuming it is to finalize and receive funding. Valley Water has lost sight of how beneficial and necessary these funds are to NGO's as

we mutually struggle to clean our trash clogged waterways and educate community members. I can say that Staff has good intentions but has lost sight of the bigger picture.

So that you have a clear understanding of the struggles we have faced I have included several of the pain points below.

-Grant was to be awarded March 2018; one stipulation was we provide Workers Comp Insurance even though our work was covered under the City of San Jose. We purchased that insurance costing \$835 monthly then after no response from VW for 90 days and \$2505 paid out we canceled the policy. I met with Norma in August and explained once VW executed the grant we would secure a policy. In Sept, our contact reached out to inform us that due to not having an active policy that the grant would be handed over to the second place finisher. I explained my conversation with Norma which led to an internal review and grant ultimately awarded in Jan 2019. By stopping then restarting the insurance policy, we learned that this put us in a bad light with the insurer as premiums increased to \$1445 monthly with an addt. one time charge of \$15,437. And \$2900 paid out over Oct-Dec as we continued to wait. **So over \$5,000 wasted as we waited for a grant award 9 months after the posted March award date.**

-Since the work would be occurring in the field on Valley Water property, we were required to secure an Encroachment Permit. We submitted renewal forms into this Dept and emails defining the work area requesting a Permit. This required numerous emails requesting updates, **it took us ONE YEAR to secure, preventing our work from moving fwd.**

-Our first invoice review was delayed and stretched from one fiscal year into the next. Once the invoice was opened, several of the deliverable items were not accepted. Had we been notified in a timelier manner we could have shifted them to other grants but the delay due to turnover in the Dept meant we had to discard the work, receiving no credit.

-Due to all the starts and stops, Staff put in a request to extend the grant out 3 yrs. In April, we were notified and then asked to enter a deep dive of the grant having to provide definitions of work, schedules, clarify activities and this has gone on till now. You can see the level of granularity in the email stream that only dates back to Sept. Keep in mind that we already have an executed grant in place.

At this point, I feel the best path forward would be for us to prepare an invoice for all this extra work and development of materials, submit and receive payment then close out the grant. It is telling that the three most active groups along our waterways aren't seeking grants from Valley Water. I hope this shines light on a grant process that in essence tortures the grantees.

South Bay Clean Creeks Coalition just eclipsed 1,000,000 pounds of trash cleared from our waterways with over 15,000 volunteers hours logged. Our support for Valley Water had us invite a staff member to our recent Chinook Monitoring event. We share our findings with your Biology group on wildlife like our Chinook salmon. We regularly post on the good work Valley Water is accomplishing through our Social Media. We do need financial support from Valley Water, one solution would be to re-establish a new Partnership Grant between Valley Water and City of San Jose and have us work as agents as this was an effective approach in the past.

Sincerely,

Steve Holmes

----- Forwarded message -----

From: **Kristen Yasukawa** <KYasukawa@valleywater.org>

Date: Fri, Dec 3, 2021, 1:36 PM

Subject: RE: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

To: Steve Holmes <s.holmes@sbcleancreeks.com>, Carol Symkiewicz <c.szymkiewicz@sbcleancreeks.com>, Philip Bair <p.bair@sbcleancreeks.com>

Cc: Sherilyn Tran <STran@valleywater.org>, Grants <Grants@valleywater.org>, Amy Fonseca <AFonseca@valleywater.org>

Hi SBCCC Team:

In preparation for our meeting next week, here are some follow up items. We can discuss these further and provide any clarification when we meet.

Thanks and have a great weekend!

Kristen

Updated Project Area Map (includes all red and black shaded areas)

<https://www.google.com/maps/d/u/0/edit?mid=1saCODhwwwyREkgLK8xnb5S72ypb-7nUt&usp=sharing>

Translation Services

Our agency uses these professional translation services and then follows up with an internal translation review.

- AVANTPAGE – Emma Vargas, emma@avantpage.com, 530-750-2040 x16
- ANDESTRANSLATION–Isabel Oh, info@andestranslations.com, 408-515-5181

Translation guidelines:

1. Keep the organization Valley Water or Santa Clara Valley Water District in English.
2. Keep the city and street names in English.
3. Keep all webpage URLs and links the same in English.
4. For Chinese translation, Simplified Chinese is preferred over Traditional Chinese.

PPT Feedback

Our subject matter experts provided the following feedback on the PowerPoint presentations:

- Suggest clearly identifying the objective and call to action for each PPT
- Suggest aligning the PPT language and concept with the grade level (ex: some of the PPTs for elementary grades use the terminology for high school grade levels, or vice versa)
- Suggest aligning the presentations to learning standards such as Next Generation Science Standards or Common Core Standards
- Suggest incorporating engagement and interactive elements
- Suggest ensuring all text and graphics are legible, and complexity matches the grade level audience
- Recommend correcting grammar and misspellings (ex: Riparian Corridor PPT, slide 7 says “subsistence” should be subsidence)

KRISTEN YASUKAWA

COMMUNITY BENEFITS PROGRAM ADMINISTRATOR
Office of Civic Engagement
Tel. (408) 630-2876 / Cell. (408) 604-5356
[Schedule a meeting with me!](#)



SANTA CLARA VALLEY WATER DISTRICT
5750 Almaden Expressway, San Jose CA 95118
www.valleywater.org

Clean Water · Healthy Environment · Flood Protection

From: Amy Fonseca <AFonseca@valleywater.org>
Sent: Wednesday, November 24, 2021 9:48 AM
To: Steve Holmes <s.holmes@sbcleancreeks.com>
Cc: Philip Bair <p.bair@sbcleancreeks.com>; Carol Symkiewicz <c.szymkiewicz@sbcleancreeks.com>; Kristen Yasukawa <KYasukawa@valleywater.org>; Sherilyn Tran <STran@valleywater.org>; Grants <Grants@valleywater.org>
Subject: RE: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Yes, that works!

Just sent out the Zoom invite.

Thanks,

AMY FONSECA

COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889



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From: Steve Holmes <s.holmes@sbcleancreeks.com>
Sent: Wednesday, November 24, 2021 9:41 AM
To: Amy Fonseca <AFonseca@valleywater.org>
Cc: Philip Bair <p.bair@sbcleancreeks.com>; Carol Symkiewicz <c.szymkiewicz@sbcleancreeks.com>; Kristen Yasukawa <KYasukawa@valleywater.org>; Sherilyn Tran <STran@valleywater.org>; Grants <Grants@valleywater.org>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Amy,

Can we reserve the 12/7 Tues at 2:00 time slot?

Steve

On Fri, Nov 19, 2021, 10:18 AM Amy Fonseca <AFonseca@valleywater.org> wrote:

Thanks, Steve. Right now, the following times are looking good:

Thurs 12/2 – 11:00 am
Mon 12/6 – 4:00 pm
Tues 12/7 – 2:00, 2:30, or 3:00 pm

Please let me know if any of those will work for you.

Thanks,

AMY FONSECA

COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889

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From: Steve Holmes <s.holmes@sbcleancreeks.com>
Sent: Thursday, November 18, 2021 3:30 PM
To: Amy Fonseca <AFonseca@valleywater.org>
Cc: Philip Bair <p.bair@sbcleancreeks.com>; Carol Symkiewicz <c.szymkiewicz@sbcleancreeks.com>; Kristen Yasukawa <KYasukawa@valleywater.org>; Sherilyn Tran <STran@valleywater.org>; Grants <Grants@valleywater.org>

Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Amy,

Apologize for the slow response. We've had 3 cleanups since Monday and several of my staff are away on vacation thru the 30th. Can we look at week of Dec 6th?

On Thu, Nov 18, 2021, 3:16 PM Amy Fonseca <AFonseca@valleywater.org> wrote:

Thanks, Philip.

Steve – is there any time next week that will work for you? If you could provide some options, I can see what we can arrange.

Thanks,

AMY FONSECA

COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889

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From: Philip Bair <p.bair@sbcleancreeks.com>

Sent: Tuesday, November 16, 2021 12:18 PM

To: Amy Fonseca <AFonseca@valleywater.org>

Cc: Steve Holmes <s.holmes@sbcleancreeks.com>; Carol Szymkiewicz <c.szymkiewicz@sbcleancreeks.com>

Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

I can meet on Tuesdays/Thursdays after 12 and Wednesdays anytime (unfortunately not free on Mondays) - whatever ends up being decided.

On Mon, Nov 15, 2021 at 1:24 PM Amy Fonseca <AFonseca@valleywater.org> wrote:

Thanks, Steve.

If possible, we would like to meet before the holiday to get everything sorted out. The soonest time we can all meet after 11/24 would be Thurs 12/2.

Would any of the following days/times work?

Tues 11/16 – 4:30 pm

Thurs 11/18 – 9:00 am, 1:30 pm or 2:00 pm

Mon 11/22 – Anytime after 2:00 pm

Tues 11/23 - 8:30 am or 11:00 am

Wed 11/24 – 10:00 am or 2:00 pm

Please let us know.

Thanks,

AMY FONSECA

COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889

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From: Steve Holmes <s.holmes@sbcleancreeks.com>
Sent: Monday, November 15, 2021 12:55 PM
To: Amy Fonseca <AFonseca@valleywater.org>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Whats available week after Thanksgiving and after the 30th is best.

On Mon, Nov 15, 2021, 12:52 PM Amy Fonseca <AFonseca@valleywater.org> wrote:

Hi everyone,

Would any of the following days/times work?

Tues 11/16 – 4:30 pm
Thurs 11/18 – 9:00 am, 1:30 pm or 2:00 pm
Mon 11/22 – Anytime after 2:00 pm

Let me know if you prefer another time.

Thanks,

AMY FONSECA
COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889

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From: Sherilyn Tran <STran@valleywater.org>
Sent: Sunday, November 14, 2021 8:20 PM
To: Philip Bair <p.bair@sbcleancreeks.com>; Kristen Yasukawa <KYasukawa@valleywater.org>
Cc: Grants <Grants@valleywater.org>; Amy Fonseca <AFonseca@valleywater.org>; Carol Symkiewicz <c.szymkiewicz@sbcleancreeks.com>; Steve Holmes <s.holmes@sbcleancreeks.com>
Subject: RE: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Hi Steve,

Per our conversation last week, I'll request for Amy to set up some time for all of us to be on a call together so we can sort out some of these issues. I appreciate you getting on a call to discuss with me on ways we can come to a compromise on some of these issues, as you are aware of the responsibilities my team has as stewards of public funds and the expectations your staff may have in terms of acceptable deliverables. But as you and I discussed, I think there is a path forward. However, to avoid further miscommunication and out of mutual respect for the work that both of our teams are doing, I think it's best that we all, including you and I, be a part of the next conversation, and hopefully, final conversation to clarify these items so we can move forward. Looking forward to resolving these issues soon.

SHERILYN TRAN
CIVIC ENGAGEMENT MANAGER

Office of Civic Engagement
Ofc. (408) 630-2772 / Cell (408) 604-5836

Santa Clara Valley Water District is now known as:

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From: Philip Bair <p.bair@sbcleancreeks.com>
Sent: Thursday, November 11, 2021 1:25 PM
To: Kristen Yasukawa <KYasukawa@valleywater.org>
Cc: Grants <Grants@valleywater.org>; Sherilyn Tran <STran@valleywater.org>; Amy Fonseca <AFonseca@valleywater.org>; Carol Symkiewicz <c.szymkiewicz@sbcleancreeks.com>; Steve Holmes <s.holmes@sbcleancreeks.com>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Attention Valley Water team,

Steve, Carol, and I have gone through the items from the previous email and have outlined our responses below.

This email request for additional information represents the final review of outstanding deliverables. We would like to inform you that we will submit an invoice for the additional work that has been created as a result of the response to the agreement (e.g. meetings, reworks, creation of additional materials, etc.). Any additional materials provided to Valley Water will be uploaded to the Google Drive folder shared specifically with Valley Water (link provided in previous meetings/emails to be bookmarked and saved). We have added some videos for your approval, along with the maps.

Past experiences have resulted in long delays from receipt of documents by Valley Water from SBCCC for review, which have hindered progress on this grant. We request a five business day review time with response. In the event we receive no response, those tasks will be deemed approved by Valley Water and we will proceed with the grant. Through the course of this grant, if this situation occurs three times, we will collectively agree for the review process to be canceled. We are creating a "for review" folder within the shared google drive folder we provided. Upon sending notification of items being added to this folder, they will remain there for five days for review. After this point, they will be considered approved if no response is provided.

We would like to know the best practice for how to submit invoices to Valley Water, if you could provide that.

Below are our responses to your email's bullet points:

- Per our meeting on 10/27/21, could you provide one map that shows the full project area? Could you provide this map within the coming week by 11/12/21?

I think it is unreasonable for us to hand trace a portion of the underserved community map just to add it to our existing map. We will provide two maps, the original expanded team map and the additional underserved area in San Jose that we agreed to. We appreciate the flexibility in expanding the range of the map. Both maps are in the shared folder awaiting your review.

Outreach Plan

Specific outreach activities: "These outreach activities will need to be documented as they are confirmed and scheduled."

In the spirit of following the terms of the original contract, SBCCC is not required to provide these additional details.

Final schedule – **Given delays in response times, it is unreasonable to expect specific days and times laid out in a schedule in advance and prior to grant approval. Creation of this**

document will have little value until we begin working in the areas to establish partnerships.

List of key stakeholders signed on to partner in activities – **We have already provided a list of stakeholders in the original agreement, and a list of schools/parks has been provided within the currently agreed-upon grant areas. Related to the updated grant areas, a list of parks and schools can be found in the Communication Plan in the shared folder.**

Culturally relevant outreach materials - **We will not develop translated materials for k-12 english-learning schools. Outreach materials will be translated when stakeholder's preferred language dictates it (i.e. In canvassing neighborhoods, we will create a flyer in multiple languages). We will first create outreach materials in English and submit to Valley Water for approval. Once approved, we will create multi-language flyers using google translation and then forward it to a translation service for review. If Valley Water can provide us info about their translation services, that would be appreciated. We will not be translating PPT's into other languages - please note that we are still waiting on a response on the original PPT's, and it is a concern of turnaround time as well.**

BioBlitz events will count as presentation deliverable – **Details and materials were provided to Sherilyn by Steve, we would just like a response on that. We have provided you with two handouts that are presented to participants on the day of the event, along with visuals that tell the story of our living streams (thus creating value in protecting them and our environment). We have a poster provided by San Jose ESD by how trash gets into waterways that we also use. We typically have a small cleanup alongside the bioblitz that reinforces the importance of caring for our urban streams. We have videos of local wildlife that we also provide to attendees during tabling at bioblitz events. See shared folder for aforementioned documents.**

Post-educational outreach survey results – **We would like more clarity on how to administer a survey to k-12 students. Pencil and paper surveys are best suited for this age demographic, but turning this in as a deliverable will pose unrealistic challenges. We cannot administer individual online surveys given that students do not all have access to a device in school. We propose a group survey facilitated by the teacher that covers the efficacy of the presenter and information. We would like to remove the questions regarding demographics from the forms for the post-presentation educational survey results, as they are inappropriate.**

Cleanup plan – **We will provide site location two weeks in advance of a cleanup. We have provided a detailed plan of how we conduct cleanups in the past. Post-cleanup details will be shared with Valley Water, including # of volunteers, what schools or community groups they're from, pictures, and weight estimate.**

Youth Eco Stewards YES Program – **The YES program's scope is aligned with the educational outreach plan already in place - it is explained in both the proposal and the agreement.**

Link for drive once

more: <https://drive.google.com/drive/folders/1bk3rKtCk4iYY0uuAbvPmlXww7VtlcKcZ?usp=sharing>

Thank you for your help,

-SBCCC

On Thu, Nov 4, 2021 at 5:08 PM Kristen Yasukawa <KYasukawa@valleywater.org> wrote:

Hi Philip:

Thanks for your patience as we reviewed the updated documents you sent over. Our feedback is outlined below.

We also compared the plan with the scope and deliverables in the agreement and with what's been completed to date (see attached for the information in a table format).

Please let us know if you have any questions or if we can provide further clarification. We are available for a follow up meeting to further discuss any of these items as well.

I'll be out of the office starting tomorrow, so Amy will be available to work with you to keep these items moving forward.

Thank you!
Kristen

Project Location – Valley Water agrees with SBCCC's proposed project location to include the original project area + the expanded boundaries + the disadvantaged communities areas on the CalEnviroScreen map in Coyote/Guadalupe watersheds in San Jose (red areas of the map).

- Per our meeting on 10/27/21, could you provide one map that shows the full project area? Could you provide this map within the coming week by 11/12/21?

Outreach Plan – SBCCC provided a communication plan and schedule. Valley Water reviewed the plan and would like the following items to be addressed:

- **Specific outreach activities** – SBCCC explained that the specific outreach activities may vary as community groups, schools, stakeholders, etc. confirm availability. These outreach activities will need to be documented as they are confirmed and scheduled.
- **Final schedule** – As explained in the above first bullet, please notify Valley Water of the confirmed activities as far in advance as possible, when they are finalized and scheduled.
- **List of key stakeholders signed on to partner in activities** – The communication plan includes the list of schools that will be outreached to, but could you also include a list of the local businesses, community centers and community organizations that will be outreached to? The original agreement also mentions neighborhood associations, social clubs, local corporations and local elected official offices.
- **Culturally relevant outreach materials** – Thanks for noting that you will be using a professional translation service. Could you provide the name of your translation vendor? We would like our internal translation reviewers to review the translated materials in advance to ensure quality translations.
 - We'd like to note that in the communication plan, you mentioned that flyers will be translated but PPTs will not. It is industry best practice that if you invite participants to engage in another language, that that activity/presentation is also available in the same language.
- **List of educational outreach events** - As explained in the above first bullet, please notify Valley Water of the confirmed activities as far in advance as possible, when they are finalized and scheduled.

PPT presentations – We sent the PPTs to our graphics team for logo approval, and to our

internal subject matter experts for content accuracy. We let them know that you want to use these as soon as possible and we will follow up with their feedback as soon as we receive it, hopefully within the coming week.

BioBlitz events will count as presentation deliverable – Valley Water agrees to count BioBlitz events as a presentation, as long as at the beginning of the BioBlitz event, a verbal presentation covering the talking points and with other visuals (video, display boards, etc) are provided that align with the PPT presentation content.

Post-educational outreach survey results – Please share the survey questions, which should include optional demographic data collection (age, language spoken, ethnic background, etc.). The survey must be reviewed and approved by Valley Water

Cleanup plan – Please develop a cleanup plan that includes proposed cleanup sites, # of volunteers targeted and actual, list of participating collaborating partners in the community, and a timeline/schedule of activities. This clean up plan must be reviewed and approved by Valley Water.

Youth Eco Stewards YES Program – The original scope of work mentions implementation of a Youth Eco Stewards YES Program. Could you provide more information about this program?

KRISTEN YASUKAWA
COMMUNITY BENEFITS PROGRAM ADMINISTRATOR
Office of Civic Engagement
Tel. (408) 630-2876 / Cell. (408) 604-5356
SANTA CLARA VALLEY WATER DISTRICT
5750 Almaden Expressway, San Jose CA 95118
www.valleywater.org

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From: Philip Bair <p.bair@sbccleancreeks.com>
Sent: Thursday, October 28, 2021 1:20 PM
To: Amy Fonseca <AFonseca@valleywater.org>
Cc: Grants <Grants@valleywater.org>; Kristen Yasukawa <KYasukawa@valleywater.org>; Sherilyn Tran <STran@valleywater.org>; Carol Symkiewicz <c.szymbkiewicz@sbccleancreeks.com>; Steve Holmes <s.holmes@sbccleancreeks.com>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Hello,

All the updates and changes have been made as per yesterday's meeting notes, see the link here: <https://drive.google.com/drive/folders/1bk3rKtCk4iYY0uuAbvPmlXww7VtlcKcZ?usp=sharing>

This folder is for your viewing and has all PPT's and supporting documents (including the supplemental communication plan - grant document that contains all the elaborative details). Let me know if you have any questions. Could we get a time estimate on when it could get looked at and approved?

Thank you,

-Philip

On Tue, Oct 26, 2021 at 2:05 PM Amy Fonseca <AFonseca@valleywater.org> wrote:

OK, just sent the zoom link.

Thanks,

AMY FONSECA
COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889

Clean Water • Healthy Environment • Flood Protection

5750 Almaden Expressway, San Jose CA 95118
www.valleywater.org

From: Philip Bair <p.bair@sbcleancreeks.com>
Sent: Tuesday, October 26, 2021 11:25 AM
To: Amy Fonseca <AFonseca@valleywater.org>
Cc: Grants <Grants@valleywater.org>; Kristen Yasukawa <KYasukawa@valleywater.org>;
Sherilyn Tran <STran@valleywater.org>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Tomorrow at 10AM works for me, thank you. Could you also invite Carol S. from our group as well for that time?

On Tue, Oct 26, 2021 at 10:15 AM Amy Fonseca <AFonseca@valleywater.org> wrote:

Hi Philip,

Sorry about that!

Kristen is out today. I can set something up for the following times:

Wed 10/27 (tomorrow) at 9:30 am, 10:00 am, 2:30 pm or 3:00 pm
Thurs 10/28 anytime after 1:30 pm
Friday 10/29 between 10:30 am and 12:00 pm

Let me know and I will set something up right away.

Thanks,

AMY FONSECA
COMMUNITY BENEFITS SENIOR MANAGEMENT ANALYST
Office of Civic Engagement
Tel. (408) 630-3005 / Cell (408) 691-8889

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From: Philip Bair <p.bair@sbcleancreeks.com>
Sent: Tuesday, October 26, 2021 10:06 AM
To: Kristen Yasukawa <KYasukawa@valleywater.org>
Cc: Amy Fonseca <AFonseca@valleywater.org>; Grants <Grants@valleywater.org>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Hello, are we meeting today? I haven't received a zoom link. Just called and left a voicemail as well.

On Oct 22, 2021, at 12:37 PM, Philip Bair <p.bair@sbcleancreeks.com> wrote:

Hi Kristen,

I can meet for a half hour at 11:30 AM on Tuesday if we would like to meet over zoom. Could we invite Carol S. from our group as well for that time?

An item we'd like to address and have in writing is an acknowledgement that we are able to keep the original grant area (as identified in the proposal) in addition to the underserved communities map that you have shared with us. We are okay with expanding our boundaries to include the areas identified in your map - we just want to keep our original project from the agreement as well.

I have updated the logos in the PPT's as well.

Thank you,

Philip

On Fri, Oct 22, 2021 at 12:24 PM Kristen Yasukawa
<KYasukawa@valleywater.org> wrote:

Hi Philip:

I just called you and left a voicemail. Due to scheduling, it might be easier to set a meeting time. Here's my availability for early next week:

- Mon 10/25 any time between 1-3 p.m. or after 4 p.m.
- Tues 10/26 any time before noon

Let me know what date/time works best for you. I understand the urgency for us to connect so you can move forward with the work.

Thanks!
Kristen

KRISTEN YASUKAWA
COMMUNITY BENEFITS PROGRAM ADMINISTRATOR
Office of Civic Engagement
Tel. (408) 630-2876 / Cell. (408) 604-5356
SANTA CLARA VALLEY WATER DISTRICT
5750 Almaden Expressway, San Jose CA 95118
www.valleywater.org

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From: Philip Bair <p.bair@sbcleancreeks.com>
Sent: Friday, October 22, 2021 10:48 AM
To: Kristen Yasukawa <KYasukawa@valleywater.org>
Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Hi Kristen,

You can call me today at your convenience, I'm working from home.

On Fri, Oct 22, 2021 at 10:03 AM Kristen Yasukawa
<KYasukawa@valleywater.org> wrote:

Hi Philip:

I apologize for not responding sooner. I did receive your voicemail but had not yet had a chance to re-review the items you sent. Do you have time today for a phone call to further discuss? It would be helpful if we could walk through the documents together to ensure we are on the same page.

Thank you,
Kristen

KRISTEN YASUKAWA

COMMUNITY BENEFITS PROGRAM ADMINISTRATOR

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From: Philip Bair <p.bair@sbccleancreeks.com>

Sent: Friday, October 22, 2021 9:27 AM

To: Kristen Yasukawa <KYasukawa@valleywater.org>

Cc: c.szymkiewicz@sbccleancreeks.com; Sherilyn Tran

<STran@valleywater.org>; Steve Holmes

<s.holmes@sbccleancreeks.com>; Grants <Grants@valleywater.org>;

Amy Fonseca <AFonseca@valleywater.org>; Dannette Lewis

<DLewis@valleywater.org>

Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Hello,

I have tried contacting Kristen via phone several times this week (both phone #'s) and have left two voicemails in hopes of a call back. I'm writing here to confirm that all of the concerns about the communication plan were addressed in a separate document entitled "Communication Plan Grant." This had all of the details that were requested prior - perhaps it was overlooked. If there's a way you'd like documents sent in a way that they won't be overlooked, let me know.

Thank you for providing the updated logo.

-Philip

On Fri, Oct 15, 2021 at 5:10 PM Kristen Yasukawa <KYasukawa@valleywater.org> wrote:

Hi Philip:

Thanks for sending over these items for the partnership agreement. We've reviewed what you shared and also have an update on the project area, see below.

If it's helpful, we are available for a follow up meeting to further discuss any of these items.

Thank you!
Kristen

Project Area

After our previous discussions, we discussed the project area internally. We would like to see if you could expand your proposed project area to align with the disadvantaged communities in the Guadalupe and Coyote Watersheds, as indicated on the [Cal EnviroScreen map](#) (screenshot below). Since you requested an expanded project area due to lack of involvement and engagement in the initial project area described in the proposal, we hope that a broader area will help even more with that concern and increase engagement and awareness with disadvantaged communities.

Communication Plan

It looks like you might've sent the old plan over accidentally. Could you send over the updated plan that incorporates our feedback and discussion items from our last meeting? See our comments in the last email chain below. The plan may also need to be expanded to correspond to the broader project area as described above.

9/23/21 email recap - Philip presented a draft project plan and timeline for Valley Water staff review. Initial staff feedback includes:

- **Due to the continued uncertainties of the pandemic impacts, identify the original activities and alternate activities for each task that could be performed in compliance with any public health ordinances (shelter in place, social distancing, etc.). This way, no matter what happens in the coming months, you will have approved activities to perform and that will minimize any delays.**
- **Include the updated creek cleanup protocols**
- **Add detail, description and explanation for the outreach and education materials**

Outreach Materials

At first glance we noticed that the Valley Water/Safe, Clean Water logo needs to be updated. Please see the attached logo file (we also have other file formats, upon request). Friendly reminder that we need to review all items that include the Valley Water/Safe, Clean Water logo.

We will be able to review the outreach materials for content once they are described in the updated communication plan and we can understand how it all fits together.

- Will all of these materials be translated into multiple languages? Will the translations be conducted and/or reviewed by professional translators?
- How is the SBCCC BioBlitz event incorporated into the project?

KRISTEN YASUKAWA

COMMUNITY BENEFITS PROGRAM ADMINISTRATOR

Office of Civic Engagement

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From: Philip Bair <p.bair@sbccleancreeks.com>

Sent: Wednesday, September 29, 2021 10:17 AM

To: Kristen Yasukawa <KYasukawa@valleywater.org>

Cc: c.szymkiewicz@sbccleancreeks.com; Sherilyn Tran <STran@valleywater.org>; Steve Holmes <s.holmes@sbccleancreeks.com>; Grants <Grants@valleywater.org>;

Amy Fonseca <AFonseca@valleywater.org>; Dannette Lewis <DLewis@valleywater.org>

Subject: Re: SBCCC Partnership #33144 Check In (Valley Water/SBCCC)

Hello,

Following up to provide PPT presentations, an event flyer (2 pages), and a write-up to complement the communication plan. I'm including a link to the PPT's we are looking to get approved before proceeding, viewable

here: <https://drive.google.com/drive/folders/1bk3rKtCk4iYY0uuAbvPmlXww7VtlcKcZ?usp=sharing>

-Philip

On Thu, Sep 23, 2021 at 9:18 PM Kristen Yasukawa
<KYasukawa@valleywater.org> wrote:

Hi Carol and Philip:

It was nice to meet you, Philip, and to connect on the status of the partnership project.

Per our conversation, here are the responses to your initial questions and the next steps we discussed. Please let me know if you have anything to add/update.

I will be out of the office until October. Please continue to work with Amy and Dannette in my absence.

Thank you – and may the force be with you!

Kristen

1) In regards to presentations to the Neighborhood Associations – most are now meeting on Zoom and don't plan on returning to in-person meetings.

Suggested solution: Screen shot of meeting

Forgo the survey and ask for a follow up letter from the Association regarding our participation in which they could provide feedback on our content.

As we discussed, we would prefer not to forgo the survey, especially since there are many successful virtual options. We recommend sending out the online survey via email after the meeting, or in the chat in the Zoom before the meeting ends. The survey would be in addition to the screen shot of the meeting and participant sign up/sign in list.

2) The project area has many commercial elements but few parks, schools or libraries. Can we expand the boundaries of the project by ½ mile to include more parks, schools etc? Here is the link to our proposed expansion of the project area:

<https://www.google.com/maps/d/edit?mid=1GwUUw4LYH1kXrWbTU8L4822agr7256Ue&usp=sharing>

Our team will discuss the project area and get back to you. The project area described in the RFP is the Guadalupe and Coyote Watersheds, specifically in underserved and other communities.

The watersheds map boundaries are accessible here:
<https://www.valleywater.org/learning-center/watersheds-santa-clara-valley>

For the disadvantaged communities boundaries, we use the Cal EnviroScreen map, which is accessible here:

.....ValleyWater **A** Valley Water

From: Steve Holmes <s.holmes@sbcleancreeks.com>
Sent: Monday, December 27, 2021 8:44 PM
To: Rick Callender <rcallender@valleywater.org>
Subject: Re: SBCCC Partnership #33144 - Failure to meet agreement requirements

Thanks Rick.

On Mon, Dec 27, 2021, 8:30 PM Rick Callender <rcallender@valleywater.org> wrote:

Steve,

Thank you for your note. I have seen the back and forth on this matter and want to make sure that all communities, including disadvantaged communities, and that the SCCCC are being treated fairly. I am aware of some of the challenges that have been present in past with moving grants along, however I am confident that many of those challenges were addressed in 2020 and 2021 with the audit, appropriate staffing, and updates to processes.

As you likely agree, this situation clearly requires a 3rd party review, especially since it has played out in front of the audit committee of the Board. As such, I am going to ask for our independent management auditor to conduct a review of this matter so that I, and the Board, can have an accurate report and findings on what has occurred, and understand solutions and a path forward. I am going to ask for this review to be conducted within 30-45 days so that all can be assured of the facts and ways we can all provide better service and response. If it is expected to take longer, I will ask for Darin to respond to all.

By way of this email I am requesting that Darin immediately get the Management Auditor involved in a review of this matter, and evaluate the assertions on all sides, so adequate solutions and paths forward can be employed to the benefit of our community and the taxpayers of Santa Clara County.

Thanks for reaching out.

r

Rick L. Callender, Esq.
Chief Executive Officer
Santa Clara Valley Water District
Office: [408-630-2017](tel:408-630-2017)
Cell: [408-406-5203](tel:408-406-5203)



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From: Steve Holmes <s.holmes@sbcleancreeks.com>

Sent: Sunday, December 26, 2021 12:26 PM

To: Rick Callender <rcallender@valleywater.org>

Cc: Melanie Richardson <mrichardson@valleywater.org>; Gary Kremen <GKremen@valleywater.org>; Richard Santos <rsantos@valleywater.org>

Subject: Fwd: SBCCC Partnership #33144 - Failure to meet agreement requirements

Melanie & Rick,

Here's wishing you both a Happy Holiday with Family and Friends!

When I received this letter from Marta making claims that SBCCC has made minimal progress related to deliverables with little effort to engage these underserved communities it's a bit tough to swallow. There was no criticism like this when your staff extended this grant out for 3 years in April since all the delays tracked back to Valley Water; permit delay (12 months), invoice/payment (6 months), Notice of Award (9 months). Btw, we have never stopped working in these underserved areas and since 2018 we have conducted 19 cleanups with nearly 1000 volunteers along with tabling and outreach into these neighborhoods. We just haven't been able to assign these efforts to your grant as it sits in limbo.

That a grant's progress is delayed by permitting from Valley Water for over a year when your Staff says that it should take no more than 3-4 weeks is a concern. The permitting struggles have been a constant headache for our group since 2013 and we hear from Staff that they have a similar frustration. We will have to face this problem again with our D3 grant as this Dept pushed our submittal out into the future. Having to write numerous emails, conduct Zoom calls with your Staff to push this permit request through is time consuming and frustrating. The permit process is broken.

Regarding our resistance to comply with Staff of late can be easily explained. We have an executed contract from December 2018. Prior to that, Staff conducted a review and SBCCC was required to create a more granular description of deliverables at which point this process was satisfied and Valley Water issued a contract. Since April and the extension, Staff has returned to these pre-contract discussions and had us drill down deep on all aspects of this grant. Your Staff and SBCCC have spent countless hours on this new review. We finally pushed back and said why? We have a contract in place and other than developing a new schedule of work since the original draft period has passed we contractually are not required to go through this second review. As an outsider looking at this process it seems like the goal was to add layers to this grant and eventually reach a point where we would opt out. We have reached that breaking point as my Staff is now unwilling to handle the administration of this grant.

During the original review, language translation of materials created for use in schools was discussed. Since classes were taught in English, we said we would follow this strategy, however when we started this second review providing multiple languages was now being required. We have always been in agreement that outreach leaflets, handouts would be in a multi-language format. Delays of over 30 days for Staff to provide approval of PowerPoint's with new requirements.

- Suggest clearly identifying the objective and call to action for each PPT
- Suggest aligning the PPT language and concept with the grade level (ex: some of the PPTs for elementary grades use the terminology for high school grade levels, or vice versa)
- Suggest aligning the presentations to learning standards such as Next Generation Science Standards or Common Core Standards
- Suggest incorporating engagement and interactive elements
- Suggest ensuring all text and graphics are legible, and complexity matches the grade level audience

We lack an internal group like your Organization so now being required to meet this list of new conditions makes this Project even more difficult, we did hear back from Sherilyn who said these new conditions would be waived. Delays in receiving feedback to submitted materials led us to suggest a 2 week timeframe and if Valley Water is unable to respond in that time then materials will be deemed approved.

We are not asking for preferential treatment, just fair treatment. I know that your Staff is working hard but the recent memo sent out to suitors for this next round of grants funds claims that all past issues are resolved. My D3 grant has been waiting for a small amendment now for 6 months and I cringe at the thought of the future struggle to secure an encroachment permit. It's just too complicated and time consuming with easier ways for me to secure funding out there. But our work complements each other so we need to find a way forward.

Let's pick this up after the Holiday. I think having a conversation at this level first would be a good next step.

Thanks,

Steve

----- Forwarded message -----

From: **Marta Lugo** <MLugo@valleywater.org>

Date: Tue, Dec 14, 2021 at 10:33 AM

Subject: SBCCC Partnership #33144 - Failure to meet agreement requirements

To: Steve Holmes <s.holmes@sbcleancreeks.com>

Cc: Rick Callender <rcallender@valleywater.org>, Melanie Richardson

<mrichardson@valleywater.org>, Rachael Gibson <rgibson@valleywater.org>, Sherilyn Tran

<STran@valleywater.org>, Kristen Yasukawa <KYasukawa@valleywater.org>

Hello Steve,

I hope this finds you well. Sherilyn invited me to the meeting scheduled on Tuesday, Dec. 7, between our Grants team and you and your South Bay Clean Creeks Coalition (SBCCC) team to help move the partnership project forward. I was disappointed that you canceled the meeting at the last-minute last week because I wanted to discuss several serious issues regarding the partnership agreement between Valley Water and (SBCCC). Since you canceled last week's meeting, I am sending this email to highlight our concerns, outlined below, including SBCCC's failure to meet the agreement's requirements to increase education and community engagement for stewardship activities, specifically in underserved communities.

1. SBCCC's failure to provide sufficient evidence of progress made towards meeting Partnership deliverables

As you know, Valley Water is responsible for ensuring that the contract terms and deliverables outlined in the partnership are honored and performed in good faith. This partnership agreement, executed December 7, 2018, for approximately \$200,000, is to carry out critical work in communities that have been historically underrepresented in environmental stewardship efforts. Valley Water issued a formal Request for Proposal (RFP) for this partnership agreement to enlist a qualified entity *to: specifically engage underserved groups and disadvantaged communities.*

In the process of reviewing the first invoice for this partnership agreement, our grants staff noted that very little, if any, progress has been made on the tasks relative to engaging with underserved communities. Your staff member only recently shared with our grants team that SBCCC had been unsuccessful in its limited engagement efforts with underserved communities and requested the grants team to provide him with additional tools and resources, which they did immediately. That included providing your team with best practices such as a list of certified professional translators, a more comprehensive outreach map targeting underserved/ disadvantaged communities, and review of materials and other resources, all as requested.

2. SBCCC's failure to authentically engage with underserved communities of color

SBCCC has made little effort to authentically engage or reach out to underserved communities or provide satisfactory evidence of doing so, as required by the agreement. It appears that there is a clear resistance and/or unwillingness from South Bay Clean Creeks Coalition to meaningfully engage with underserved communities and provide equitable services in our creeks for communities of color, which not only violates the terms of this partnership agreement, but also fails to meet Valley Water's commitment to and expectations relative to racial equality, diversity, and equitable treatment of all our diverse communities in its efforts to

advance environmental justice. Here are two examples:

- SBCCC's Communication Plan submitted on November 1 indicated that PowerPoint presentations—which are an important outreach tool for presentations—would not be translated into other languages.
- SBCCC attempted to be reimbursed for outreach activities with other groups that were not included in the agreement, nor considered as historically underserved groups, including:
 - Presentation to the Valley Water Homeless Ad Hoc Committee
 - Presentation at a San Francisco Estuary meeting
 - Tabling event at Google for their employee Earth Day

3. **SBCCC's failure to meet with Valley Water staff to provide necessary information and work together in good faith to resolve issues**

I am also deeply concerned about your and your staff's refusal to meet with Valley Water staff to resolve these critical issues. In fact, you canceled the last scheduled meeting on Dec. 7 only a few hours prior, with no further explanation and no mention of rescheduling. This was after Valley Water staff attempted to meet with you directly to resolve the issues several times over the last few months. To recap:

- September 23: Valley Water met with your staff to discuss these deliverables and reporting.
- October 27: Valley Water met again with your staff to check-in on the status.
- November 4: Valley Water sent you and your staff an email requesting the follow up items from the last meeting.
- November 4: Phone conversation between you and the Civic Engagement Manager, where you agreed to a team meeting to get on the same page.
- November 5: Grants staff emailed SBCCC to set that meeting up.
- November 11: SBCCC staff emailed grants staff but did not respond to the meeting request.
- November 14: The Civic Engagement Manager reminded SBCCC staff that you had agreed to meet with our team soon.
- November 18: You emailed to request that meeting occur the week of December 6; the meeting was set for December 7.
- December 3: Valley Water staff emailed some information in advance of the December 7 meeting.
- December 7: You canceled the meeting with no explanation and no offer to reschedule.

Further, I am troubled by SBCCC attempting to invoice Valley Water for SBCCC's time to perform and submit the required documentation, for example, attempting to characterize the work required for the agreement as "additional work" when in fact it is nothing more than doing what SBCCC is contractually obligated to do under the

agreement.

4. SBCCC's failure to meet contractual obligations stipulated in partnership agreement

To be clear, your organization has a contractual obligation to provide meaningful engagement with underserved communities of color as outlined in the scope of the agreement, and this requires providing sufficient evidence and satisfactory documentation. That has not occurred to date, which raises serious questions about whether SBCCC wants to meaningfully engage with these underserved communities at all. Our expectation is that SBCCC please adhere to the contract terms and agreed-upon deliverables. As you know, Valley Water has an obligation as stewards of public funds to be accountable in ensuring agreements are carried out and funds are spent as promised to the taxpayers, and SBCCC has not done so thus far.

Valley Water requests that you abide by the terms of the partnership and submit proper documentation and evidence of meeting deliverables relative to outreach and engagement with underserved communities, so that this agreement may continue forward, as committed to by SBCCC. Our offer to meet to resolve these issues still stands; if you have any questions or would like to discuss any aspect of this agreement, I encourage you to please contact me and/or Sherilyn Tran for a meeting right away.

Thank you for your attention to this matter.

MARTA M. LUGO, MPH (*She/ Her*)

EXTERNAL AFFAIRS ASSISTANT OFFICER

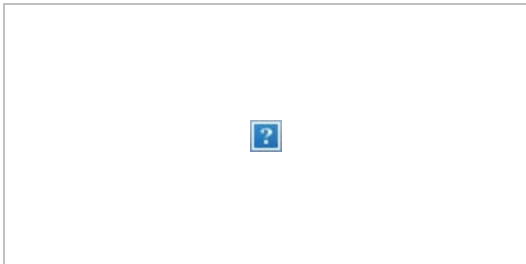
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--



Steve Holmes | Founder, Executive Director

a: South Bay Clean Creeks Coalition

e: s.holmes@sbcleancreeks.com | **w:** www.sbcleancreeks.com

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Santa Clara Valley Water District

File No.: 22-0114

Agenda Date: 1/19/2022
Item No.: 4.6.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Receive and Discuss the Draft Management Responses to Human Resources Audit Report.

RECOMMENDATION:

Receive and discuss the draft management responses to the Human Resources Audit Report.

SUMMARY:

The Board Audit Committee (BAC) was established by the Santa Clara Valley Water District Board of Directors (Board) to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

Per the BAC Charter, Article VII, Paragraph 5, Comment Upon Draft Audit Responses, the Committee Chair and the Committee may ask questions about or make comments upon any draft audit responses. However, they shall not attempt to direct Valley Water staff in its response to any audit.

In 2021, Executive Management requested a review of Human Resources (HR) functions focusing on five (5) areas within HR: Recruitment (including conflict of interest and Form 700 processes), Reasonable Accommodations, Workforce Development (formerly Talent Development), Retention, and Workforce Equity.

In April of 2021, Valley Water consultant, PMA, Inc. began conducting interviews with subject matter experts and reviewing procedures used by the five areas. At its December 10th, 2021 Chief's Meeting, Executive Staff received the final report summarizing the observations and findings and Management's draft responses (Attachment 1). Additionally, a benefits comparison is provided as Appendix A to the HR Audit Report (Attachment 2).

The purpose of this agenda item is to provide comment/feedback regarding the draft management responses to the HR Audit Report.

ATTACHMENTS:

Attachment 1: HR Audit Draft Report

File No.: 22-0114

Agenda Date: 1/19/2022
Item No.: 4.6.

Attachment 2: HR Audit Draft Report Appendix A - Benefits Comparison

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068



Santa Clara Valley Water District

Human Resources Audit

Prepared by:

PMA Consultants
San Jose, California
October 14, 2021

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Executive Summary

PMA Consultants (PMA) was engaged to perform an internal audit of certain Human Resources (HR) functions on behalf of the Santa Clara Valley Water District (“Valley Water”), Continual Improvement Team (CI Team). More specifically, PMA was engaged to look at five areas within HR: Recruitment (including conflict of interest and Form 700 processes), Reasonable Accommodations, Talent Development, Retention, and Workforce Equity.

To accomplish this objective, we designed a 15-step workprogram to assess and test these five processes. This workprogram was presented and agreed upon by Valley Water Management prior to commencement of our audit, and is included as Appendix C. Periodic updates were provided on the status of the procedures performed as well as potential issues noted during our audit.

Our audit noted both strengths and opportunities to enhance the current processes. Strengths are noted in our “Best Practices” section while opportunities are summarized in *Figure 1: Summary of Observations* below and presented in detail in our “Observations and Recommendations” section. Valley Water staff were very helpful in providing us the requested information to perform our audit in a timely manner.

Figure 1: Summary of Observations

Summary of observations	Detail on Page #
1. <u>HR Structure & Management</u> Through discussion, several commentators perceived HR processes to be inefficient and outdated, and that the siloed operation of the HR division results in less-than-optimal integration of the various units within HR.	11
2. <u>Training</u> Two of the required training programs audited (i.e., Ethics/EEO and Unconscious Bias) had low completion rates, with greater than 20% of the workforce not completing these trainings. Valley Water also has an opportunity to increase their use of the TPC Online training resource and continue their roll out of the knowledge transfer program.	15
3. <u>Form 700</u> There is an opportunity to reduce the number of Form 700 filers (and associated administrative work) through a less conservative interpretation of “employees who make governmental decisions”. The manual and cumbersome compliance tracking process can also be improved for both compliance and efficiency through potential automation of databases used in this process.	19

Summary of observations	Detail on Page #
<p>4. <u>Recruiting & Retention</u> Valley Water has a competitive benefits package when compared to peer public agencies. However, while being cognizant of local technology companies competing for top talent, and to remain competitive with peer agencies, Valley Water should reevaluate benefits, and consider innovative options, such as expanded work from home options, employee stress relief areas throughout the offices, and other ideas as further communicated in the body of this report. It is important to solicit employee input as it relates to the reevaluation of benefits, to ensure any benefit changes are desirable, equitable, and inclusive to staff. Additionally, offering an employee referral program may help identify vetted talent, while increasing participation in exit surveys and analysis of employee terminations could help reduce attrition.</p>	24
<p>5. <u>Diversity and Inclusion (D&I)</u> The current D&I program was designed for the five-year period 2015-2019 and has not been updated since. D&I goals, as well as employee participation in the D&I program, should be periodically monitored and reported to ensure success of the program. Of note, and based on HR feedback, we understand the D&I program has been transitioned to the Racial Equity Diversity and Inclusion (REDI) group which is external to HR. Though REDI was not part of this audit, we understand they are in the process of updating / creating a new D&I Master Plan. Further detail can be found in the body of this report, and Appendix C.</p>	30

Background

Valley Water Human Resources consists of 28 employees across 3 units as depicted in *Figure 2: HR by unit*.

Figure 2: HR by unit

Unit	# of employees
Equal Opportunity & Benefits	9
Human Resources (Administration)	4
Recruitment & Workforce Development	18
TOTAL	31

Human Resources handles Valley Water’s day-to-day operations as they pertain to personnel management including hiring, compensation, benefits, training of Valley Water’s 826 (as of May 2021) employees, and supporting terminations managed by Labor Relations. Human Resources is also involved in employee matters involving requests for reasonable accommodations and employee investigations. Valley Water recently formed a new Racial Equity, Diversity, and Inclusion (REDI) office to promote a diverse and inclusive workforce free from discrimination. These initiatives were previously handled by Human Resources.

Valley Water’s Human Resources group is currently led by interim Director Ingrid Bella. The organization is in the process of recruiting a permanent HR Director.

Objective, Scope, and Procedures Performed

PMA was engaged to perform a review of the following aspects of the Valley Water’s Human Resources (HR) function:

- Recruitment (Including Form 700)
- Reasonable Accommodations
- Talent Development
- Retention
- Workforce Equity¹

The objective of our audit was to review the above areas to identify opportunities for improvement and potential control weaknesses, making suggestions based on the results of our interviews, testing, and our experience with other similar organizations.

The scope of our review focused on current operations as of the time of our fieldwork (Summer 2021), as well as tests of transactions for the most recent year. Where data was limited, as in the case of reasonable accommodation testing for example, we expanded our testing up to the past five years to obtain a larger population size from which to conduct testing.

¹ Components of workforce equity, namely diversity and inclusion, are handled outside of the HR function, by Valley Water’s Racial Equity Diversity and Inclusion (REDI) team. As requested by Valley Water Management, and commensurate with Scope Limitations #3 and #4, issues that were noted during our audit pertaining to the REDI group are noted in Appendix B, do not contain management responses, and will not be tracked by internal audit. The REDI team was formed in the past year and was formerly part of the HR function.

The following procedures were performed as part of our audit:

1. Interviewed personnel in all five sections to understand processes & procedures
 - a. Recruitment
 - b. Reasonable accommodations
 - c. Talent development
 - d. Retention
 - e. Workforce equity
2. Performed testing to determine if the reasonable accommodations process is functioning as intended. Specifically, we selected a sample of six reasonable accommodation requests (three of which were granted and three of which were denied for various reasons, including the employee's failure to provide requested documentation in support of their request²) from the population of 54 requests received between November 2018 and April 2021. Each case was reviewed to determine if appropriate documentation was present to support the decision that was made. For granted requests, we reviewed documentation to ensure there was justification for the request that was granted, and that Valley Water considered lower cost solutions which may have met the accommodation needs where applicable. For denied requests, we reviewed documentation to ensure the employee's case was given due consideration and that reasonable requests were not denied without adequate documentation including a reasonable explanation as to why. No exceptions were noted.
3. Performed testing to determine if the Ethics and Equal Opportunity (EEO) investigation process is functioning as intended. Specifically, we reviewed all five EEO investigations conducted in 2019 and 2020³. Due to the highly confidential nature of such investigations, our testing involved a high-level on-line walkthrough of each case and the investigatory procedures performed. Through this process we observed that each investigation was taken seriously and thoroughly investigated through interviews with witnesses and other employees and review of available information and documentation. No exceptions were noted.
4. Reviewed the Diversity & Inclusion (D&I) master plan and associated tracking matrix to determine if Valley Water developed a thorough plan for addressing D&I issues and subsequently evaluating the success of program initiatives. See Appendix B for recommendations.
5. Performed testing of background checks & hiring justification to determine if background checks were performed (with acceptable results) prior to an employee starting with the organization. Also reviewed hiring and promotion decisions to assess for potential discriminatory hiring practices, ensuring justification existed for the hiring decision which was made. PMA tested 10 of the 61 new hires in the one-year period

² For confidentiality reasons, PMA did not retain copies of supporting documentation for reasonable accommodation requests, nor did we document the specific reasons a request was approved or denied.

³ Per discussion with HR, there were no EEO investigations in 2021.

from June 15, 2020 through May 3, 2021. No exceptions were noted. Additionally, PMA tested 10 of the 81 promotions in the one-year period from June 15, 2020 through June 28, 2021. See issue #1 below for recommendations.

6. Performed testing of Form 700 completion process to ensure the form was completed and that no apparent conflict existed (or that appropriate mitigating actions were taken should a conflict be identified). Valley Water identified 372 employees which were required to complete the Form 700. Of these, 103 employees submitted multiple page forms⁴. PMA selected 10 of the 103 employees submitting multi-page forms for testing. While no exceptions were noted, PMA recognized several opportunities to enhance the Form 700 process. See issue #3 below for recommendations.
7. Performed testing of EEO/Ethics training to determine if mandatory required trainings had been completed by employees within the established timelines. See issue #2 below for recommendations.
8. Performed testing of harassment prevention training to determine if mandatory required trainings had been completed by employees within the established timelines. See issue #2 below for recommendations.
9. Performed analysis of employee retention by Unit, Division, and Race. See issue #4 below for further details and recommendations.

Scope Limitations

Internal Audit generally has unrestricted access to examine all books and records within the scope of the audit. When access to certain items is restricted, such restrictions are considered scope limitations (i.e., in scope areas of our audit we were unable to audit due to the restrictions imposed). Scope limitations impact the procedures we are able to perform and may impact our recommendations.

The scope limitations we encountered in our HR audit fell into one of three categories: Documentation under attorney-client privilege, confidentiality concerns, or areas handled outside of the HR Division. The scope limitations encountered during our audit are as follows:

1. As part of our assessment of talent development, we wanted to review population-wide data to determine if employees are setting qualitative goals and subsequently evaluated against such goals as part of the annual performance review process. Based on reports run by HR (not provided to the PMA team), 90.2% of employees who have completed

⁴ PMA focused our testing on multiple page Form 700 submissions, as all single page forms indicate the employee has nothing to disclose. We did not perform testing to assess the accuracy of employee self-reporting of investments and other interests.

FY21 work plans have at least one development objective listed in their performance plans. 48% of employees have at least two development objectives. The most common responses observed by HR were obtaining job-related training (270 mentions), attending a conference/workshop (162), and supervisory/management (45). Per edict of VW Legal and VW Labor Relations, detailed reports will not be provided to internal auditors out of concern for employee privacy. Our opinion on the inclusion and sufficiency of training goals in employee performance plans is based solely on interviews with VW HR personnel.

2. As part of our assessment of workforce equity, we wanted to review a recently issued report by a third-party firm (Tapestry by Direct Leaders) on hiring, promotions, and pay, including race and gender factors. While Valley Water has represented that no disparate impact trends were noted, the PMA team was unable to independently review this report as it was issued to Valley Water under attorney-client privilege. Valley Water is concerned that releasing the report to a 3rd party/internal audit would nullify this privilege. Our opinion on pay and disparate impact is based solely on interviews with VW HR personnel.
3. As part of our assessment of workforce equity/diversity and inclusion, we wanted to review the most recent Racial Equity, Diversity, and Inclusion (REDI) work plan. Our request was denied on the grounds that the REDI group is now handled by External Affairs rather than HR and the individual in charge of External Affairs feels this should be excluded from the audit.
4. As part of our assessment of workforce equity, we wanted to review the District-wide equity survey performed by a 3rd party (The Justice Collective). While the report has not yet been issued, the PMA team was denied access to this report on the grounds that the REDI team is housed under External Affairs, not HR. The External Affairs Division feels this should be excluded from our audit as it does not fall under the purview of HR.

Best Practices

While performing our audits, we come across processes or other attributes that we see as working well, perhaps which could be considered “best practices” or other areas of notability. These are presented below.

1. Though PMA did not retain copies of investigation documentation, test samples were reviewed via Zoom and EEO investigations appear to be very thoroughly conducted and well documented, providing ample evidence should an employee claim that their concerns were not taken seriously.
2. Most reasonable accommodation requests are granted, but not without proper documentation from the employee’s doctor. The process is very regimented and well documented. Questions are appropriately designed to avoid asking prohibited medical questions that could violate Health Insurance Portability and Accountability Act (HIPAA) regulations. Valley Water attempts to find solutions that will accommodate the employee’s medically necessitated needs without incurring undue financial burden on Valley Water. For example, one employee requested a motorized workstation that can raise and lower. The reasonable accommodation team asked if a manually adjustable workstation would suffice on their questionnaire to the doctor.
3. All of the ten hiring decisions reviewed were very well documented with both numerical scoring and narrative descriptions of candidates’ strengths and weaknesses, and we believe would be adequate to dispel any allegations of discrimination.
4. None of the comments received in exit interview surveys mentioned any deficiency in the level of training provided by Valley Water, and two comments specifically praised Valley Water’s training and executive coaching efforts.
5. Comments were received suggesting that both HR staff and HR management are nice, friendly, and that staff enjoy working in their teams and work well within such teams.
6. The Interim HR Director is aware of learned lessons under past HR leadership and is proactively working with the HR staff to ensure an effective and efficient operation. A comment was also made that the current Interim Director is forward thinking and willing to work with the staff to accomplish objectives.

Interviews Conducted

An important component of internal audit is gaining an understanding of the various processes under audit. We accomplish this through review of applicable documentation and discussion with process owners and other key or representative individuals. A list of individuals interviewed as part of our audit is presented below (generally grouped by unit).

1. Anthony Mendiola, Program Administrator- Continual Improvement Team
2. Salam Baqleh, Program Administrator- Equal Opportunity and Benefits Unit
3. Angelica Arellano, HR Manager- Equal Opportunity and Benefits Unit
4. Janice Lum, HR Benefits & Wellness staff
5. Natalie Vye, Benefits Program Administrator
6. Cathy Morrey, Supervising Program Administrator- Workforce Development
7. Robert Scott, Program Administrator- Technical Training
8. Arthur Saye, Management Analyst II- Workforce Development
9. Kevin McKay, HR Talent Development
10. Derek Tanguay, HR Talent Development
11. Courtney Letts, Sr. Management Analyst- Recruitment & Workforce Development
12. Laurel Hanchett, HR Recruitment & Selection
13. Richard Nguyen, Management Analyst II
14. Lidya Tesfaye, HR Systems Management
15. Rechelle Blank, Watershed Capital
16. Jennifer Codianne, Watershed Operations & Maintenance
17. Jonathan Burgess, Water Treatment
18. Mike Cook, Information Technology

Findings and Recommendations

During our review, we identified the following opportunities to enhance the HR function and strengthen controls. Our recommendations are based on our experience in internal audit, as well as best practices from other similar functions. These recommendations have been tailored to consider the specific needs of Valley Water.

For ease of review and implementation, we have divided our findings and recommendations into five sections: HR Structure & Management, Training, Form 700, Diversity and Inclusion, and Recruiting & Retention.

HR Structure & Management

1a. Inefficient and outdated nature of HR process

Issue:

Several interviewees commented on the inefficient and outdated nature of the HR process. Some of those processes are detailed in subsequent section of this report, but simply for context, as an example⁵, one employee who was two months short of a position's experience requirement needed to be hired as a temporary employee until they reached the official experience requirement of the position, rather than allowing the hiring manager to make an exception for this minor discrepancy. In another example, a suggestion made by one of the staff over 4 years ago was just recently implemented, resulting in the staff feeling they were either ignored and/or that the process is so inefficient that suggestions take an unnecessarily long amount of time to implement, resulting in continued inefficiency.

Interviewees with past private sector experience, while questioning certain processes, were led to believe that the "Valley Water Way" was just the way a governmental organization operated or flat out told that this is the way it works in government.

There is a sense that HR has an "old guard" (i.e., old way of thinking, resistance to change) and "new guard" (e.g., proactive problem-solving issues with modern technology, and the acceptance of new ideas to promote forward thinking with the outcome in mind) and that these two mindsets conflict with each other.

Risk:

Employees want to feel their contributions are valued and generally would like to work for a well-run, efficient organization. Adhering to dated methodologies or failing to embrace more efficient ways of conducting business may put Valley Water at a competitive disadvantage in attracting and retaining top talent.

⁵ Examples are provided for illustrative purposes only. We are recommending Valley Water address the root issues as further articulated in the recommendation section and not attempt to investigate specific examples.

Recommendation:

While some governmental organizations are subject to more stringent regulations, most are free to operate in a flexible manner that optimizes efficiency and service to the ratepayers and public. As such, we encourage looking at various processes through a lens of efficiency and effectiveness. Processes and practices which do not pass these basic tests, including those highlighted in this report such as increased communication related to continuous improvement, improved documentation, improved (training and disclosure) compliance tracking, and others discussed in this report, should be reexamined.

We understand Valley Water is in the process of filling the HR Director position with a permanent assignment. The ideal candidate would possess skills and traits that are open minded and inviting of positive suggestions that would result in beneficial outcomes to staff and the rate payers through increased efficiency and effectiveness. In striving for a modern and efficient HR function, such qualities may outweigh governmental experience.

A side benefit of process optimization is the creation of a more attractive organization by which to attract and retain perspective talent. While Valley Water may be limited as to the benefits they can offer, prospective employees may be more likely to join an organization unburdened by inefficient and/or ineffective practices masked under the guise of required governmental standards.

Management Response:

A primary focus of the Interim HR Officer has been to direct efforts to review and plan ways to improve the processes, update policies, and implement changes or programs that focus on making Valley Water an employer of choice. During this time, HR has revised the temporary assignment process, added a partial retirement option, completed a telework policy, enhanced benefits, managed the challenges of providing solutions and tracking for the pandemic, streamlined the Form 700 process, enhanced our recruitment efforts through increased use of targeting advertising, metrics, and virtual interviews all while implementing a critical module of our new ERP system (Infor) for benefits just to name a few of our efforts for optimization. We are in agreement with recommendation and have made optimization a part of our operations

Responsible Party:

Human Resources Officer

Completion Date:

11/1/22

1b. Siloed HR operations

Issue:

Several staff commented that the HR Divisions operate in silos. Most staff are unaware of the inner workings of other units within HR (ex. Benefits staff may be unaware of Recruiting staff activities, learned lessons and achievements).

Risk:

Absent an understanding of how various divisions of the HR function interconnect, employees may make decisions not in the overall best interest of the organization or unknowingly forgo efficiency improvement opportunities.

Recommendation:

While specialization enables staff to focus on a specific discipline, the knowledge of other areas' operations could benefit the entire HR function. Periodic all-HR-staff meetings and/or diverse focus groups discussing objectives, processes, etc. and allowing for open and inclusive discussion related to continual improvement may help achieve this level of communication and collaboration and help to alleviate conflict by dismantling the barrier between the "old guard" and "new guard".

Management Response:

We agree that HR staff would benefit from a better understanding of how their specific area interconnects with the other areas of HR and how they come together to provide services for the organization. The HR Officer will develop a plan for cross-training of staff among the program areas to create generalist abilities vs. just having only specialists in each area. Quarterly meetings, where the whole division can gather to discuss accomplishments, challenges, and share ideas will be planned for the coming year. A survey will be developed to send out at least once a year to gauge the climate within HR and measure if changes are having the desired effects and gather ideas on how we can continually improve.

Responsible Party:

Human Resources Officer

Completion Date:

5/31/22

1c. Inconsistent documentation of promotion justifications

Issue:

Documentation for 6 of the 10 promotions selected for testing did not explicitly state why the selected candidate received the promotion over other candidates. In 3 of these cases, the promoted candidate received the highest numerical scores, though the interview notes did not clearly identify why the successful candidate was selected. In 2 of these cases, the numerical scoring did not clearly identify the chosen candidate and there were no notes to distinguish the successful candidate. In the final case, another candidate had a higher numerical score than the chosen candidate and the notes did not distinguish the successful candidate.

Risk:

While there were no obvious indicators of biased promotion decisions, having clear documentation as to why a selected candidate was promoted over other candidates would historically validate Valley Water's decision, and help defend Valley Water against any potential false claims of unfair practice or discrimination.

Recommendation:

All promotion and hiring⁶ decisions should clearly identify why the chosen candidate was selected over the other candidates.

Management Response:

We agree that having good documentation is important. Many of our second-round notes that come through do have a thorough summary in the debrief notes. The Hiring Manager is required to demonstrate via the Hiring Justification Form why the candidate they are recommending for hire is the best person for the job. The hiring decision does not reside with the interview panel or the Recruiter, but the manager's recommendation to their Appointing Authority that is documented. In response to your recommendation, in those situations, where it is not clear by the debrief document why the top candidate was **not selected** for the position, the recruiter will go back to the second round debrief notes and add notes as to the reason for the selection. The final hiring decision is always documented in the Hiring Justification Form. This recommendation has already been implemented.

Responsible Party:

Recruitment Program Administrator

Completion Date:

10/31/21

⁶ While no issues were noted with our review of hiring, this recommendation would apply to both new hires and promotions.

Training

2a. Unconscious bias training not completed

Issue:

All employees are required to annually watch a training video on unconscious bias; however, only 64% of employees had taken the training as of 4/14/21. This training was required to be completed by all employees by 1/15/21. Contributing to the non-compliance, there was no individualized follow up by HR for those who had not completed this requirement.

Risk:

Certain trainings are required to ensure employees either have the requisite knowledge to perform their jobs and/or demonstrate the values of the organization, including recognizing differing contributions employees from different backgrounds bring to the workplace and the value such diversity adds to the organization. In the case of Unconscious Bias training, this helps employees recognize and overcome biases they may not be readily aware of. The completion of such training may also help Valley Water reduce instances of workplace discrimination.

Recommendation:

We recommend individualized (personalized) follow up emails be sent to employees who are not compliant with mandatory training requirements, explaining (or reminding) employees of the objectives of the training, and the importance of the required training in meeting those objectives. Continued non-compliance with such training requirements could be communicated with both the employee and their supervisor.

Management Response:

Management agrees that it is important that we have the maximum of staff complete their training to ensure they are prepared with this knowledge when they are asked to participate in hiring panel and as a component of onboarding. Management will assign HR staff to audit employees that are past due and provide a deadline for completing their training. A process for ensuring this training is added to the onboarding required training will be set in place with Workforce Development. Each quarter, staff will review completion rates and follow up with any stragglers that need to complete the training. This training is also scheduled to be renewed by all employees every two years.

Responsible Party:

Recruitment Program Administrator

Completion Date:

5/31/22

2b. Ethics/EEO policy acknowledgement not completed

Issue:

All new hires are required to sign an acknowledgement that they have received and understand the ethics and equal opportunity policies. Additionally, all employees are to sign an annual re-confirmation acknowledging these policies. Compliance tracking is handled through the Learning Management System (LMS) and appears as a required course for all employees (HRETHICS10). The PMA team performed testing to determine the compliance rate for this requirement, noting only 77% of employees had completed this training. Additionally, there does not appear to be a process for following up with employees who have not completed the required courses/certifications.

Risk:

Understanding of ethics and EEO policies helps ensure employees perform their job responsibilities in an ethical manner free from discrimination. Initial and annual reconfirmation of these policies prompts employees to refresh themselves on the organization's expectations.

Recommendation:

We recommend Valley Water develop a process for periodically monitoring the completion status of all required trainings/certifications and following up with employees who are delinquent in this respect. To facilitate this, both the master employee and LMS databases should contain a unique identifying data field to positively identify each employee. When reviewing harassment training, for example, our employee list did not contain email addresses and the LMS system tracked training data did not contain employee ID #'s, so we were not able to make a positive comparison between active employees and completion of this course.

Management Response:

Management agrees that we should develop a process for periodically monitoring the completion status of all required trainings/certifications and following up with employees who are delinquent in this respect. Currently, the process is tracked through an Excel worksheet. However, we have already converted several of our required EEO/Ethics/and Sexual Harassment Prevention training into online training which will be managed through our current and upcoming upgrade of our Learning Management System (LMS). Because the training is now online, the completion will be easier to track. Staff in our EEO/Ethics program will track training and follow up with employees who are overdue in their training. The new LMS will be able to generate reports and reminders more easily for the program administrator to track. Efforts are already underway to catch staff up on any past-due training.

Responsible Party:

EEO/Ethics Program Administrator

Completion Date:

2/28/22

2c. Increased use of TPC technical training resource

Issue:

Valley Water maintains a number of licenses for the 3rd party TPC technical training website. As only 16 employees used this “TPC Online” resource of technical training in 2020, this appears to be an under-utilized resource.

Risk:

One could argue that an experienced tradesperson would not need these courses; however, this could be a good resource to reinforce core concepts that an employee may not be regularly exposed to.

Recommendation:

In addition to internally promoting the use of this resource, the TPC online tool could also be used to assess employee’s knowledge and skill level, providing additional training where needed.

The recommendation for increased use of this technical training resource stems from both the relatively low usage noted in our audit as well as a comment from one of our interviewees, noting an opportunity for Valley Water to develop a better-defined apprenticeship program. While the PMA team did not specifically review the apprenticeship program as part of this audit, the thought is that unless Valley Water’s apprenticeship program becomes more structured with clear expectations & goals, that gaps will need to be filled through requiring standardized sets of college courses and/or standardized trade-specific required trainings.

Management Response:

Management agrees that we want to utilize our various training tools as effectively as possible. The 3rd Party TPC tool was purchased for specific training and refresher in mind. We have been experiencing more request for access to the tool from staff in operation, though they weren’t originally targeted. The Apprenticeship program is being developed for early 2022 and this tool could very well serve as a resource to the participants. The Technical Training Resources will also become part of our Learning Management System and a landing page for the Technical Training Program will also be developed so that employees can retrieve past training and link to tools and resources.

Responsible Party:

Technical Training Program Administrator

Completion Date:

12/31/22

2d. Continued development of knowledge transfer program

Issue:

Valley Water is in the process of creating a knowledge transfer mechanism, whereby key employees with tacit knowledge of their job responsibilities and/or Valley Water are identified. These employees are then interviewed to formally document and memorialize their knowledge. This process was in its infancy stages at the time of our audit, and as such we were unable to perform testing.

Risk:

Given the large amount of institutional knowledge and number of potentially retiring employees, we believe this is a great initiative. As with any initiative, there is a risk that competing resources may bump this off the organization's radar.

Recommendation:

We recommend Valley Water continue to formally develop this knowledge transfer process to capture important information prior to a key employee's departure.

Management Response:

Management agrees that we will continue to formally develop our knowledge transfer process as part of our succession development efforts. It becomes an additional tool in our ability to capture important institutional knowledge.

Responsible Party:

Technical Training Program Administrator and Workforce Development Program Administrator

Completion Date:

12/31/22

Form 700

3a. Overbroad interpretation of "making governmental decisions"

Issue:

The California Fair Political Practices Commission (FPPC) requires that public agencies implement a unique conflict of interest code, listing each position within the agency that makes or participates in making governmental decision. The litmus test of "making governmental decisions" is broadly interpreted by Valley Water. As an example, an employee tasked with approving invoices of a vendor without further supervisory review is required to file Form 700, despite not being the sole decision maker on the selection of that vendor. In this case, there would be no potential conflict of interest in this employee's decision making. Any inappropriate approval of vendor invoices would constitute fraud on the part of the employee & vendor. Form 700 will not prevent fraudulent acts; only identify potential conflicts of interest.

Another example of employees required to complete Form 700 are those that, while procedurally subject to supervisory review, do not undergo such a review in actuality. Such a case may exist, for example, when a supervisor relies on their subordinate as the subject matter expert and trusts their decision without further review.

Risk:

The current "broad brush approach" to identifying Form 700 filers could result in requiring far more employees than reasonably necessary complete the Form 700.

The number of decision makers relying solely on the unfettered decision of a subordinate should be extremely limited as this represents a risk that proper oversight is not being provided in managerial decisions.

Recommendation:

Firstly, it is noted that Valley Water has recently reduced the number of Form 700 filers. Nonetheless, Form 700 should only be required of those who truly have unfettered approval authority and should not be supplanting sufficient managerial review of key decisions. It is recommended that Valley Water HR collaborate with Valley Water legal to review the conflict-of-interest code and the potential to reduce the number of Form 700 filers, as it relates to making governmental decision.

The practical reasons for reviewing and reducing Form 700 filers is reinforced through Valley Water's June 2020 internal research memo showing Form 700 filers as a percentage of total workforce to be far greater for Valley Water than peer agencies, as illustrated in *Figure 3: Peer Agency Form 700 filers* on the following page.

Figure 3: Peer Agency Form 700 filers

Comparable California Governmental Agencies	Total Number of Employees	Number of Employee Form 700 Filers	% of Workforce that are Form 700 Filers
Valley Water	796	325	41%
Department of Water Resources (State)	3,000	550	18%
East Bay Municipal Utility District (EBMUD)	1,957	303	15%
Metropolitan Water District	1,800	649	36%
Westlands Water District	114	22	19%
Del Paso Manor County Water District	10*	6*	60%*
VTA	This agency did not respond to Valley Water's request for information.		

*Del Paso Manor County Water District only has its General Manager and Board of Directors filing Form 700's at this time.

Management Response:

Management agrees that in the past, Valley Water's threshold for criteria of Form 700 filer was too broad and created an extra-large pool of employees who were required to complete a Form 700. Fortunately, Staff completed an assessment of the process and the FPCC requirements, in collaboration with our legal staff, which was reviewed and approved by the executive team. We reduced the number of Form 700 filers to only those who truly have unfettered approval authority of key decisions are now required to complete a Form 700. We are currently in the final stages of working with the Santa Clara County to approve the Conflict-of-Interest Code (with our changes) so that we can present it to Valley Water's Board of Directors for approval and implement the changes in time for the cycle to begin in February 2022.

Responsible Party:

EEO/Ethics Program Administrator

Completion Date:

2/28/22

3b. Cumbersome compliance tracking

Issue:

The current process of ensuring all required Form 700 filers is captured in Santa Clara County's Southtech system is manual and cumbersome. This consists of pulling a report from Valley Water's Peoplesoft system, manually removing all employees who are not required to file and comparing the remaining employees to a download of Filers per the Southtech system.

Risk:

Time spent performing this process could be repurposed on more pressing issues. Additionally, manual processes such as this are more prone to human error than automated processes.

Recommendation:

Simply to increase efficiency, once the need for individual filers is reevaluated, we recommend business intelligence/process optimization/process automation be enacted. This may include, for example, a flag (available open data field) be placed in the Peoplesoft system so that a Peoplesoft report can be automatically generated of all Form 700 filers. This can be matched to the Southtech report through a unique identifying data field, such as the employee's email address, which is used in both systems.

Management Response:

We agree that increasing efficiency is always a good idea. We will work with our Information Technology division to see if there is a simpler solution to help track Form 700 filers.

Responsible Party:

EEO/Ethics Program Administrator

Completion Date:

5/31/22

3c. Lack of positive confirmation for Form 700 managerial review

Issue:

Ultimate responsibility for form 700 review is bestowed upon the filing employee's managers. Some managers will send reply emails to the individual coordinating the Form 700 efforts confirming their review; however, there is no process to ensure managers have completed these reviews.

Risk:

Absent positive confirmation, managers may not have reviewed Form 700's for potential conflicts as required, resulting in potentially missing conflicts of interest and associated decisions which may not be in Valley Water's best interest.

Recommendation:

Valley Water should establish a verification system for Managers to affirm they have performed the requisite review. Such a system could be set up with little to no cost or effort using a survey platform (e.g., SurveyMonkey or MS Forms), so long as externalizing this employee data would not pose a confidentiality / security risk. The Form 700 coordinator should follow up with Managers who have not confirmed their review to ensure compliance.

Management Response:

We agree that we can strengthen our current process for ensuring managers are reviewing Form 700's for potential conflicts of interest. We should follow up with managers that have not confirmed their review. Staff will develop a process, whether Survey Monkey, or the current email reply. that ensures the review is completed effectively.

Responsible Party:

EEO/Ethics Program Administrator

Completion Date:

5/31/22

3d. Determine ability of 3rd party Form 700 filers to make unchecked decisions

Issue:

In previous years, Valley Water has required many of its contractors and consultants to complete the Form 700. Valley Water has reduced the number of these third-party Form 700 filers from more than sixty to roughly six. Although the remaining number of Form 700 filers is small, there is a question of whether the remaining six third-parties are making unfettered business decisions on behalf of Valley Water.

Risk:

While consultants and contractors are often hired for their expertise in a specific subject area, business decisions should be made by Valley Water employees accountable for the success of the organization. There is a risk that the remaining six non-employee individuals who continue to file Form 700 are making unfettered business decisions on behalf of Valley Water.

Recommendation:

We recommend all material business decisions be made or approved by a Valley Water Employee. Relationships with the remaining third-party Form 700 filers should be reviewed to ensure existence of an appropriate level of Managerial review.

Management Response:

Staff will ensure that the 6 contractors that are still required to file Form 700s will have the appropriate VW managerial review. This review will be easier to ensure since the number of contractors filing is so much smaller.

Responsible Party:

EEO/Ethics Program Administrator

Completion Date:

2/28/22

Recruiting and Retention

4a. Consideration of new & innovative benefits to attract and retain talent

Issue:

Valley Water uses a benefits broker (McGriff) to negotiate the annual employer cost for health, dental, and employee assistance plans of employee benefits. This broker also presents similar benefits most employers offer (health/dental/employee assistance plans, etc.); in comparison to peer agencies, Valley Water has a competitive core benefits package. A detailed comparison can be found in Appendix A.

The benefits brokered by McGriff, appear to be limited to those purchased through third-party agencies. Though Valley Water has a competitive core benefits package when compared to peer public agencies, and while Valley Water may be limited as to the additional benefits it can offer, it should remain cognizant of the current market, which includes peer agencies (and to *some* extent local, private technology companies) competing for the same top talent. In order to remain competitive with peer agencies, Valley Water should reevaluate benefits, and consider some innovative options, including those suggested below, that go beyond those offered by third-party benefits providers.

Risk:

Valley Water may be losing top talent (either prospective employees or current employees through attrition) to organizations that are able to offer more attractive benefits.

Recommendation:

The best and most desirable work cultures are not created from the top down, but rather through inclusion and input from all employees. Similarly, implementing new benefits/perks that employees don't care about will not have the effect of improving the culture or increasing retention. Valley Water employees described similar sentiments in the 2016 Great Place to Work (GPTW) survey, which found "opportunities to be involved in change" to be a common suggestion as it relates to making Valley Water "a better place to work". To gauge the relative importance of benefits, and in order to allow employees an opportunity to be involved in any future change, we recommend soliciting employee feedback by conducting an all-employee survey, using a ranked order response in order to determine the cost of offering such benefits (or improvements) and the potential impact to the work environment and culture.

Some benefits *for consideration*, which could be included in the survey are listed below. For clarity, our recommendation is not necessarily to implement each of these items, but to first determine which benefits Valley Water can and cannot implement (we understand a public agency may be limited as to the benefits it can offer), then to determine which benefits staff most desire, and then to formulate a plan which prioritizes any identified changes.

- **Career Development:** A 2018 Work Institute study, which analyzed over 234,000 exit interviews, found career development to be the leading reason for employee exits; notably, it has been the leading reason for eight consecutive years.⁷ More than 20% of Valley Water employee exits were related to career development (i.e. opportunities for growth, achievement, and security), and over 40% if job dissatisfaction is included (commonly associated with career development). Similarly, a study conducted by LinkedIn found that nearly 80% of employees reported that having a well-defined career path would compel them to stay with an organization longer.⁸ Although not typically stated as a “benefit”, we recommend Valley Water treat career development as a benefit, and poll employees on the desire for a revamped/improved program, including more opportunities for training, development programs, and options for employees who are in roles with limited ability to move up within the organization (commonly cited by employees, during exit interviews, as a reason for leaving). It is noted that the GPTW survey recommended refreshing mechanisms for career advancement by developing rotation programs, and more intentional stretch assignments.
- **Work-Life Balance:** Second only to career development, work-life balance (including favorable schedules, improved commutes, and travel commitments) was found to be a leading reason for employee turnover⁷. The prevalence of this benefit has dramatically increased as a result of the COVID-19 pandemic, and that prevalence would not have been captured in the prior GPTW surveys. Expanded work from home options are desirable and are becoming more permanent at other organizations. As a note, similar organizations (including public water agencies) are reassessing telecommuting options in order to potentially provide increased work from home options; we recommend that Valley Water do the same; it is noted that VW is currently in discussion with peer agencies, in order to benchmark and stay cognizant of current trends. Some employees see this as a benefit in the realm of work-life balance, and those that do not see it is a benefit can simply come to the office more frequently, at their own discretion
- **Manager Behavior:** Good relationships between employees and managers are important to retention. More than 10% of employees exit an organization due to manager behavior (including, amongst others, unprofessionalism, lack of support, and poor treatment).⁷ Through our interview process, we heard positive feedback as it relates to current managers (albeit a small sample size). On the other hand, and though there were no “hot spots” indicative of problematic units, dissatisfaction with direct managers was commonly cited during exit interviews, and the GPTW survey recommended strengthening managers at all levels, including competency development and training. We recommend employees be polled on manager

⁷ Mahan, Nelms, Bearden, 2018 Retention Report Truth & Trends in Turnover

⁸ Barry, Attract and Retain Top Talent and Mercer, One in Three Employees Claim to Have a Job Rather Than a Career

behavior to determine if improvements have been made, or if additional training (or other measures) is needed.

- Spaces that influence culture, well-being and interaction: so long as they're desired by employees and spread across multiple areas/floors in order to encourage participation and cross-functional interaction, spaces can have the added benefit of creating a fun and relaxed environment which blends business and pleasure during the day, and which can improve culture and environment. Spaces can include:
 - Recreational, relaxation, or "play-spaces" (such as Valley Water's recently renovated patios) where employees can take a break from work.
 - On-site fitness classes
 - On-site gym,
Snack or drink offerings (offered through an on-site vendor)
- Other Benefits for consideration, which employees may find to be desirable:
 - Subsidized public transit passes
 - Improved work environments (ex. "Virtual windows" [large screen TVs framed as windows showing a pleasant view] in office spaces devoid of actual windows so employees feel less closed in).
 - Sit/Stand workstations (*note – Valley Water's implementation of this is currently underway)
 - Additional holidays, such as Juneteenth and Election Day (would also tie into D&I initiatives)
 - Family planning (ex. IVF)
 - Bring your pet to work (though this could have allergy/accident implications)
 - Emergency savings accounts- More employers are offering payroll-deduction emergency savings accounts for their employees to help with households experiencing financial surprises or difficulties.
 - Other innovative benefits suggested by employees.

We also realize that Valley Water has completed various other all-employee surveys and that these surveys may have included some of the benefits discussed herein.

Management Response:

Management agrees that reviewing our benefit offerings is an important element of being an employer of choice. We have ongoing reviews of our benefits package most recently through open enrollment, periodically through bargaining, and when the need arises to address challenges occur. Many of the suggestions from PMA are already part of our benefits package. HR will continue to survey our comparators and schedule regular reviews (every 6 months at a minimum) to stay competitive.

Responsible Party:

Benefits & Wellness Program Administrator

Completion Date:

Ongoing

4b. Lack of employee referral program

Issue:

Valley Water does not currently have an employee referral program, which they may want to consider in order to attract good candidates at relatively inexpensive recruitment costs.

Risk:

According to a 2016 benchmarking report by the Society for Human Resource Management (SHRM), the average cost per hire is \$4,129, while the average time it takes to fill a position is 42 days. Both cost and lead time could potentially be reduced by offering financial incentives to employees for referring qualified candidates. Additionally, the chances of success of a referred candidate may be higher than that of a candidate whose personality and performance is unknown.

Recommendation:

We recommend Valley Water consider implementation of an employee referral bonus program. A \$2,000 incentive for example, could be both meaningful and comparatively modest. Payment of such incentives could be contingent upon the employee passing their probationary period.

Management Response:

Staff will conduct a survey to see if any of our public agency comparators offer referral bonuses; explore the operational benefits to recruitment efforts and consult with Valley Water management on whether to develop a program to offer an appropriate incentive.

Responsible Party:

Recruitment Program Administrator

Completion Date:

5/31/22

4c. Increased participation in exit surveys/exit interviews

Issue:

Valley Water currently provides a link to an optional survey for all terminating employees. This survey has a 60% response rate. Roughly 25% of the 60% of departing employees who completed the Survey Monkey Survey did not answer the open-ended qualitative questions.

Risk:

Results of exit surveys and exit interviews provide valuable feedback the organization can use to improve operations, productivity, and employee satisfaction. Especially helpful are qualitative comments that can be used to recognize key strengths of the organization and investigate potential problem areas. Valley Water may be missing out on valuable feedback from departing employees who do not complete an exit survey.

Recommendation:

It is our understanding the purpose of the in-person (or virtual) exit meetings is to discuss benefits for the departing employee, collect company equipment, and handle other administrative requirements. As part of the standard exit interview process, Valley Water could ask employees what they liked about working for Valley Water and what they would change about the organization if they could. The answers could be documented and used to improve the organization. While employees could decline to answer, there'd likely be a greater response rate than the 60% who currently complete the Survey Monkey survey. Additionally, Valley Water may receive more responses to the open-ended questions.

Management Response:

Management agrees that gathering information from exiting employees on the reasons they are leaving is an important data point and offers an opportunity to learn from and improve the organization. Benefits & Wellness staff have already started meeting with exiting staff to have verbal discussions to gather information on why staff are leaving our agency as well as continuing to offer exiting staff to complete the online survey tool. Those who conduct the exit interview are tracking the reason in more detail than in the past and have strengthened the survey tool by making certain fields "required" to answer so that we get information more consistently. This recommendation has been implemented.

Responsible Party:

Benefits & Wellness Program Administrator

Completion Date:

10/31/21

4d. Periodic analysis of employee terminations

Issue:

PMA obtained, reviewed, and performed analysis on employee terminations within the roughly five-year period between June 2016 and April 2021. This analysis, which was provided to HR for further review, included comparing terminations by unit and race to the overall percentage of current headcount as well as identifying the nine divisions which made up >75% of the terminations. Valley Water does not currently perform a similar analysis.

Risk:

Periodically examining employee termination trends can help Valley Water identify potential problem areas and take appropriate action to prevent further attrition. Identification of terminations by race and other demographic factors could help Valley Water maintain a diverse and inclusive workforce.

Recommendation:

We recommend Valley Water review the analysis performed by the PMA team, as the analytical data may be more pertinent when combined with subjective feedback and inside organizational knowledge. Additionally, this type of analysis may be beneficial for Valley Water to periodically perform to identify potential problems and determine if further investigation is warranted.

Management Response:

Management agrees that we should conduct periodic reviews of exit interview/termination data. HR will work with the REDI Unit to establish regular check-ins to review not only this data but recruitment/hire data as well. This data can also be presented to the Board's Diversity & Inclusion committee in general terms. This data will also be presented to the CEO and Chiefs every six months.

Responsible Party:

Benefits & Wellness Program Administrator and Recruitment Program Administrator

Completion Date:

5/31/22

Appendix A- Benefits Comparison

Appendix B- Potential REDI Issues, External to HR

As explained in the body of this report, PMA was asked by Management to segregate diversity and inclusion issues previously handled by HR, but currently transitioned to the Racial Equity Diversity and Inclusion (REDI) group, as the REDI group is no longer part of the Human Resources function. All REDI group issues are presented in this appendix.

As the REDI group did not participate in our audit, issues are presented without management responses or completion dates and accordingly will not be tracked by internal audit. It is possible, likely even, that REDI has already addressed these issues, or has a plan to do so. However, in the interest of continual improvement and to be sure those issues which were visible to our team during the audit do not get overlooked, we're including them in this appendix.

A. Outdated Diversity and Inclusion program⁹

Issue:

The most recent 5-year Diversity & Inclusion Plan was valid from 2015-2019 and has essentially been expired/not updated in over a year.

Risk:

Initiatives designed in 2015 may no longer be applicable, effective, or operating. New or developing issues may not be addressed through the former plan.

Recommendation:

Valley Water should reexamine the most recent plan, determine which aspects of the plan worked well/which ones needed improvement, and update the plan accordingly. In updating the plan, Valley Water should consider their own analysis of plan implementation (Performed in March 2018), employee feedback, feedback from the Employee Resource Groups, and recommendations within our report. Furthermore, REDI and HR should work together to clearly outline any necessary interdepartmental responsibilities and authority, as it relates to Diversity and Inclusion, in order to ensure those responsible also hold commensurate authority.

⁹ As previously stated in our scope limitations section, the HR audit did not include interviewing REDI staff. While it is public knowledge that REDI is updating their Master Plan, we are including this in our audit report for the purposes of providing an all-inclusive document addressing the issues noted during our audit.

B. Implement continual monitoring of D&I goals

Issue:

The existing D&I program contains multiple strategies and 51 approaches within these strategies for achieving diversity and inclusion goals. Valley Water created a tracking matrix to monitor the completion of each of these goals in March 2018. While the completion analysis was thorough, it appeared to be a one-time event, rather than a continual or periodic monitoring.

Risk:

Initiatives assessed at a point in time may no longer be applicable, effective, or operating. Additionally, such initiatives may not be addressing new or developing issues.

Recommendation:

We recommend regular (annual) assessments of the D&I program's goals and accomplishments be performed.

C. Enhanced Employee Resource Group reporting

Issue:

Employee Resource Groups (ERG's) are governed by their respective charters as well as the Diversity & Inclusion Program Employee Resource Group policy (ID# Q640D03). Section 7 of this policy requires "an annual report of the program accomplishments including number of new chartered groups, number of diversity and inclusion events, survey assessment results, and fundraiser events". The last such report, drafted in February 2018, was a four-sentence summary as part of the Diversity and Inclusion quarterly report. While providing a sample of ERG events, this brief update might be viewed as falling short of the expectations as outlined in the policy. Additionally, the most recent update was over 3 years ago.

Risk:

Without formal analysis and reporting, a risk exists that ERG activities are not achieving their intended goals- to promote diversity and inclusion within Valley Water.

Recommendation:

We recommend the REDI team identify a responsible party for summarizing ERG activity and identifying need for assistance. Reports on the activities, achievements, and needs of each ERG group should be presented to the leadership team on an annual basis. With detailed annual reports, leadership could identify and provide coaching to inactive ERG's to identify beneficial events and speakers.

D. No tracking of Diversity and Inclusion (D&I) participation goals

Issue:

Per the D&I intranet site, all regular employees are encouraged to commit at least five hours towards the achievement of their D&I Employee Development and Performance Plan (EDPP) goal. We did note, however, that staff are instructed to charge such participation to their regular project code. This treatment, which we understand was implemented for logistical purposes, precludes the ability to run a system report to monitor the prevalence of D&I participation.

Risk:

Absent a tracking mechanism, Valley Water does not have a way to determine if their D&I participation goals are being met, nor is there a way to follow up with specific employees who are not meeting this goal to encourage participation.

Recommendation:

In order to monitor D&I participation with meaningful and easy to run reports, we recommend a sub-code in the time reporting system be established for D&I participation. Periodic (annual) reports should be run and presented with other D&I program updates. This information can be used to adjust or promote the D&I program to specific groups as deemed necessary, increasing the effectiveness of the program.

Appendix C – Approved Work Program

Recruitment
Reasonable accommodations
Talent Development
Retention
Workforce equity

Step	Task
1	Interview VW staff to understand current recruiting & hiring practices, including the process for conducting and reviewing background checks. Determine opportunities for improvement/enhancement.
2	Obtain a list of employees hired in the past year. Design and conduct testing to determine whether background checks are being performed in accordance with established protocol.
3	Interview personnel to understand and document the conflict-of-interest disclosure (Form 700) process. Determine how VW ensures all employees who should be completing for 700 are on the list to solicit completion of this form. Determine if process is operating effectively and investigate opportunities for improvement.
4	Obtain a list of all completed form 700's in the past year. Determine if VW is compliant with all individuals who are legally required to complete Form 700, while not requiring the unnecessary completion of the form for individuals who are not legally required to do so.
5	Interview staff re: reasonable accommodations process, including the types of requests that have been received and the process for handling such requests.
6	Obtain a list of all reasonable accommodation requests filed in the past 5 years. Depending on volume, review all or a sample of such requests to assess reasonability of VW's handling of the request. Quantify and analyze results for potential improvement opportunities. Also determine if VW is granting requests that place an undue hardship on the organization/rate payers.
7	Interview HR personnel to determine processes in place to ensure talent development throughout the organization. How does HR ensure employees are receiving adequate on-the job training to perform their jobs efficiently and progress within the organization?
8	Interview department directors to determine what is being done within their department to ensure employees are receiving adequate on-the job training to perform their jobs efficiently and progress within the organization? Identify departmental specific gaps.

9	Obtain a list of employee terminations between 2016-2020 (past 5 years). Summarize list by department, position level, and other relevant statistical criteria. Determine employee turnover rates by department, position, etc.
10	Select a sample of 15 terminated employees (choose selection in proportion to statistical criteria above to obtain a representative sample of population) and summarize reasons for termination. Review results of exit interviews to identify and summarize trends.
11	Perform further research/interviews as necessary to recommend enhancements to improve retention rate.
12	Interview HR personnel on processes in place to address harassment prevention and anti-discrimination
13	Interview staff to understand VW's diversity and inclusiveness initiatives, including tools used to monitor and track such initiatives.
14	Review specific tool(s) used for this purpose to determine if the tool is effectively designed to achieve its desired purpose/outcome.
15	<p>If tool should be tracking all potential candidates, obtain a list of new employees hired during our scope period. Select a sample of new hires and determine if tool was used to track applicant statistics.</p> <p>Determine if justification exists to indicate why a candidate meeting diversity criteria was passed up for the position (helps ensure qualified candidates are not passed up due to membership in a protected class). Conversely, determine if justification exists demonstrating that the most qualified candidate was hired for the position, regardless of diversity classification (helps ensure job qualifications were the prevailing factor in a hiring decision and that a candidate was not hired primarily because of their membership in a protected class, disregarding best fit for the position).</p>

APPENDIX A - Benefits Comparison

Benefit	Valley Water	EBMUD	Santa Clara County	SFPUC	Silicon Valley Water Authority	San Mateo County
Vacation	10 to 22 days per year, depending on years of service	12 days per year	MOA dependent	10 to 20 days per year depending on years of service	15 to 25 days per year depending on years of service	13 to 24 days per year depending on years of service
Sick Leave	12 days per year	13 days per year	up to 12 days per year	13 days per year	income protection plan and an insured disability program	12 days per year
Personal Leave	3 days / year		Paid Family Leave Add'l Leave: Military, Bereavement, Jury Duty and Leave w/o Pay up to 1 year	FMLA, Worker's comp, family care, military, educational		
Management Leave	4 days / year	7 days / year	Incoporated into "Annual Leave" wih is 39 days/yr; max balance 117 day		7 days / year	16 days / year
Holidays	13 days / year	15 days / year	12 days / yr	12 days / yr	12 days / yr	12 days / yr
Health Insurance	employer 85% contribution	employer 85% contribution	Most services are covered at 100% with minimal or no office visit copayments; max copay \$35	employe pays 85% contribution	Choice Health Care Plans offered through CalPERS	choice of 3 plans including HMO with copay, or POS with 80% coverage. County pays 85% of HMO premium, and 75% of POS
Vision Care	employer pays total premium	employer pays total premium	employer pays total premium (several options)	basic & premier plans	employer pays total premium	employer pays total premium
Dental Care	employer pays total premium	employer pays total premium	2 plans offered	3 plans offered	employer pays total premium	2 plans available DHMO (no charge for basic service) and PPO 60% coverage if employed less than a year; 85% if > 1 yr
Employee Assistance Program	Yes	Yes	Yes	Yes	Yes	Yes
Life Insurance / Disability Insurance	basic life, short and long term disability insurance. Additional life and ADD available at group rates)	basic life, short and long term disability insurance. Additional life and ADD available)	basic life, short and long term disability insurance. Additional life and ADD available)	basic life, short and long term disability insurance. Additional life and ADD available)	basic & supplemental life insurance options+ ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE (AD&D)	basic life, short and long term disability insurance. Additional life and ADD available)
FSA	Yes	Yes	Yes	Yes	Yes	Yes
Unregistered Domestic Partners	to be confirmed	No	No	No	No, or unavailable	No, or unavailable
Retirement / Pension	CalPERS: new members hired on or after 1/1/2013 - 2% at 62 / 36 consecutive months / 50% of normal cost. 8.75% contribution classic members hired on or after 3/19/2012 - 2% at 60 / 36 consecutive months / 11% contribution classic members hired by VW prior to 3/19/2012 - 2.5% at 55 / 12 consecutive / 11% contribution	CalPERS New members (2013 tier): 2.5% at 67 / 36 consecutive / 50% of normal cost Classic members: 2.6% at 62 / 24 consecutive / 8.75% contribution.	CalPERS: new members hired on or after 1/1/2013 - 2% at 62 (2.7% at 57 for "Safety" members) with a minimum age of 52/ 36 consecutive months / at least 50% of normal cost. classic members hired prior to 1/1/2013 - 2.5% at 55 (3% at 50 for "Safety members) / 12 month average	SFPUC "most" employees eligible for 2.3% at 65 / highest three year average salary Contributions: 7.5-11.5% employee retirement contribution	Calpers "Classic" & "Non-classic (hired after 1/1/13)" Calpers; "Non-classic" employees are required to pay at least half of the "normal cost" to fund their pension plan benefit. 5-year vesting period 2% at age 62, with a minimum age at retirement of 52 years	new members hired on or after 1/1/2013 - 2% at 61.25 with a minimum age of 50 / average of highest three one-year periods/ 50% of COLA cost. members hired prior to 8/7/2011 - 2.0% at 55.5 / Contributions based on age at time of hire County picks up a % of employee's share of retirement cost depending on years of service for Plan 5: 20% at 10 years of service 40% at 20 years of services 50% at 25 years of service

APPENDIX A - Benefits Comparison

Benefit	Valley Water	EBMUD	Santa Clara County	SFPUC	Silicon Valley Water Authority	San Mateo County
Retirement Medical	<p>Hired Prior to 12/30/2006: 100% for retired employees with 10 years of continuous service, and provided for retired employees and one eligible dependent with 15 or more years</p> <p>Hired on or after 12/30/2006 and Prior to 3/1/2007: provided for retired employees with 10 years of continuous service (or employee and one eligible dependent for retirees with 15 years of continuous service). Medical premium cost sharing is required with the same contribution percentage as active employees</p> <p>Hired On or After 3/1/2007 85% Medical coverage is provided for retired employees with 15 years of continuous service (or employee and one eligible dependent for retirees with 20 years of continuous service). Medical premium cost sharing is required with the same contribution percentage as active employees</p>	<p>Upon retirement, all retirees are eligible for the health insurance benefit up to \$550 a month for retirees with spouse/financially dependent domestic partner, or up to \$450 for single retirees or a surviving spouse or domestic partner. Members receive a prorated subsidy equal to 25 percent of the maximum health insurance benefit for every 5 years of retirement service credit (5 years = 25%, 10 years = 50%, 15 years = 75% and 20+ years = 100%)</p>	<p>The County pays an amount equal to the Kaiser rate for the retiree only. If the retiree belongs to a plan that has a higher premium than the Kaiser rate, the retiree pays the difference. There is a monthly premium payment for dependents regardless of age (current FY21 retirees pay between \$0 and \$1,100 depending on plan, and with one dependent pay between \$750 and \$1,300)</p>	<p>Health benefits: >20 years = 100%; >15 years 75%; >10 years 50%; >5 years access but no City contribution</p>	<p>unavailable</p>	<p>If hired before January 1, 2011: - County pays \$440 toward the monthly premium for one retiree plan (either health or dental) for every 8 hours of unused sick leave. Annual inflation factor for those who retire with at least 15 years of service - 8-hour sick leave conversion reduced to 6 hours if more than 20 years of service Employees are credited with additional sick leave hours based on years of service If hired January 1, 2011 or later: - County pays \$400 toward the monthly premium for one retiree plan (either health or dental) for every 8 hours of unused sick leave. - Employees are credited with additional sick leave hours based on years of service</p>

Other Benefits

Dependent Care Reimbursement	x	x	x	x	*	x
Professional Reimbursement	x	x	x	x	*	
Tuition Assistance	x	x	x	x	*	x
Commuter / Transportation Program	x	x	x	x	*	x
Wellness Program	x	x	x	x	*	x
Deferred Compensation Plan	x	x	x	x	x	x
Pet Insurance	x			x	*	
Legal Shield / Workplace Mediation	x			x	*	x
Homebuyer Education Program						x
Identify Theft Protection				x		
Computer Loan Program		x				

* data not readily available



Santa Clara Valley Water District

File No.: 22-0113

Agenda Date: 1/19/2022
Item No.: 4.7.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Discuss the 2022-2024 Annual Audit Work Plan.

RECOMMENDATION:

Discuss the 2022-2024 Annual Audit Work Plan.

SUMMARY:

On December 15, 2021, TAP International, Inc. (TAP) presented the 2021 Risk Assessment analysis to the Board Audit Committee (BAC) assessing operational risks to the Santa Clara Valley Water District ("Valley Water"). The Risk Assessment analysis helped to develop heat maps of Valley Water operational areas based on risk impact (low, moderate, and high risk). The results of the risk assessment included input from Valley Water's Board of Directors (the Board), executives, and management and was used to help develop the 2022-2024 Annual Audit Work Plan.

On January 11, 2022 the proposed 2022-2024 Annual Audit Work Plan (Attachment 1) was approved by the Board.

The purpose of this agenda item is to discuss the audit work plan and potentially identify the first audit to conduct.

ATTACHMENTS:

Attachment 1: 2022-2024 Annual Audit Work Plan

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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TAPInternational

FY 2022-2024 Annual Audit Work Plan

November 10, 2021

Final

ANNUAL AUDIT WORK PLAN

The Audit Work Plan serves as a tool for communicating audit priorities as determined by the Santa Clara Valley Water District's Board Audit Committee (BAC) and Board of Directors. The selection of audits for formal review and approval by the Board of Directors is an important responsibility of the Audit Committee.

Audits are an important oversight tool because they provide independent and fact-based information to management and elected officials. Those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making.

Audits can:

- Verify that programs, services, and operations are working based on your understanding.
- Assess efficiency and effectiveness.
- Identify the root cause or problems.
- Assess the progress of prior audit recommendations.
- Identify the impact of changes
- Identify leading practices.
- Assess regulatory compliance.
- Develop policy options.
- Assess the accuracy of financial information reported.

The types of audits that can be conducted include:

- Internal audits: Internal audits review the environment, information, and activities that are designed to provide proper accountability over District operations.
- Compliance audits: Compliance audits review adherence to policies and procedures, state regulatory requirements, and/or federal regulatory requirements.
- Performance audits (impact or prospective audits): Performance audits review the economy, efficiency, and effectiveness of Valley Water programs, services, and operations.
- Desk reviews: Small and quick audits.
- Follow up audits: Follow up audits assess the implementation status of recommendations included in prior audit reports.
- Best practices reviews: Compares current operations to best practices.

This proposed audit work plan is divided into sections. Section A describes anticipated ongoing support services to be provided by the independent auditor as well as other quality assurance activities planned by Valley Water’s executive management. Section B describes the audits planned for implementation by the Independent Auditor.

SECTION A

ONGOING SUPPORT SERVICES AND SPECIAL PROJECTS

The following table lists non-audit services and special projects for the FY 2022 to 2024 audit work plan:

Project/Responsible Party	Scope	FY 2022 Planned Hours	FY 2023 Planned Hours	FY 2024 Planned Hours
Board of Director & Board Audit Committee Requests for Information/ Independent Auditor	Ongoing. Should the Board of Directors request information on activities implemented by other public agencies or on other matters of interests applicable to enhancing the efficiency and effectiveness of operations, the independent auditor will collect and summarize information.	80	80	80
Audit Training/ Independent Auditor	Annual. The Board Audit Committee Charter describes a requirement to provide audit training to Board Audit Committee members at least annually.	2	2	2
Support Services/ Independent Auditor	Ongoing. Provide support services to Board Directors and Valley Water staff applicable to specific initiatives or planning projects to prevent potential service delivery risks.	40	40	40
QEMS/Valley Water Continual Quality Improvement Unit	Ongoing. Provide services to ensure proper oversight and accountability.	As needed	As needed	As needed

Management Reviews/Valley Water Management	Ongoing. Valley Water’s Chief Executive Officer ,as needed, will initiate internal quality assurance reviews of business practices and operations. These reviews are to be shared with the audit committee.	As needed	As needed	As needed
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SECTION B

AUDIT SERVICES – INDEPENDENT AND ON-CALL AUDITORS

Labor Summary

Project/Responsible Party	Scope	FY 2022 Planned Hours	FY 2023 Planned Hours	FY 2024 Planned Hours
Independent and On-Call Auditors	Audits and Follow-up Audits Based on the Audit Work Plan	TBD	TBD	TBD

Recommended Audits

The Board Audit Committee will select and recommend audits described below for approval by the Board of Directors.

ID	Risk Area(s)	Risk Factor	Audit Topic	Type of Audit	Suggested Audit Objectives
1	CIP Planning Process Financial Management	<input checked="" type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	CIP Planning Process	Cross-Functional Performance Audit	<ol style="list-style-type: none"> Are there opportunities to improve the capital improvement project planning process (project initiation to CIP plan approval)? To what extent can early participation of Valley Water support units (environmental planning, permitting, purchasing, warehousing) on large capital projects prevent project delays and reduce cost overruns? Can the Capital Improvement Plan be better right sized that considers the Agency’s funding and staffing levels?
2	Inventory Control	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Inventory Management	Cross-Functional Performance Audit	<ol style="list-style-type: none"> Does Valley Water effectively manage, account for and record inventory across the agency? What resources (e.g., staffing, systems, facilities) and business processes (communication and coordination) are necessary to meet current and future needs including centralizing inventory management?
3	Emergency Response Emergency Detection Emergency Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Program Monitoring	Cross-Functional Performance Audit	<ol style="list-style-type: none"> To what extent do the emergency management plans variously established by Valley Water contain gaps and activities to ensure proper prevention, detection, response, and recovery activities? Do gaps exist in surveillance and detection of potential problems across Valley Water’s infrastructure?

					<ol style="list-style-type: none"> To what extent is the virtual Emergency Operations Center aligned with FEMA best practices? Are there lessons learned from past emergencies to prevent disruptions to regular operations while providing additional manpower and resources to respond to emergencies?
4	Emergency Cost Recovery Data Management & Accuracy	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Financial Management	Cross-Functional Performance Audit	<ol style="list-style-type: none"> To what extent has Valley Water been able to claim the full reimbursement of costs for eligible expenses from FEMA? Are business practices aligned with federal and state aid requirements for emergency cost reimbursement? To what extent are information systems and other business processes configured to capture information needed for cost reporting and recovery?
5	Financial Oversight Purchasing and Contracting Processes	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Financial Management	Performance Audit	<ol style="list-style-type: none"> To what extent do Valley Water procurement programs for low dollar purchases (i.e., P-Cards, & Standing Orders) comply with established policies and procurement limits? Are added policies and procedures needed to control spending and prevent work arounds to formal competitive bids?
6	Data Management Data Integrity Data Accuracy	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Business Process	Cross Functional Performance Audit	<ol style="list-style-type: none"> To what extent does Valley Water use multiple data stores for the same information?
7	Plan Implementation Plan Monitoring	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Organizational Culture	Culture Audit	<ol style="list-style-type: none"> How has Valley Water's organizational culture impacted implementation of plan established across the agency? To what extent does Valley Water demonstrate and practice common cultural characteristics including:

- a) Defining organization’s values and proactively emphasize and model those values.
- b) Ensuring strategies are consistent with the values and holding management accountable.
- c) Executing their duties within the organization’s risk appetite.
- d) Management reinforces the values and culture through clear communication of expectations across the organization.
- e) Management actively gathers and listens to feedback.
- f) All levels are open to constructive criticism and problem solving through methods including information obtained from second- and third-line functions via inputs such as well-received and acknowledged employee suggestion/question program, ethics hotlines, open door policies, employees’ events, and meetings, and more.
- g) All employees (to the extent possible) are engaged in objective setting and strategy discussions.

8	Grant Management Financial Management Coord. & Comm. Financial Oversight Data Accuracy	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Grant Reimbursement	Performance Audit	1. Can Valley Water’s process for tracking labor and expense activities on state grants awarded to Valley Water benefit from updating? 2. How timely are claims for reimbursement submitted to awarding state agencies? 3. What circumstances have contributed to lost opportunities
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for reimbursement by awarding state agencies?

9	Plan Monitoring	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Human Resources Management	Cross-Functional Performance Audit	<ol style="list-style-type: none"> 1. What progress has been made in implementing existing workforce development and succession planning plans? 2. What evidenced-based factors have been significant in facilitating the hiring of technical and operational staff? 3. To what extent have position descriptions and classification evolved to ensure that Valley Water has the technical capability to meet future demands to solve complex problems in an agile and creative manner?
10	Aging Infrastructure Detection Aging Infrastructure Monitoring	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Asset Management	Cross-Functional Performance Audit	<ol style="list-style-type: none"> 1. To what extent do Valley Water divisions and units ensure compliance to specification standards to prevent substandard replacements of parts, equipment, and capital assets? 2. Is Valley Water adequately meeting the needs of equipment maintenance?
11	Data Accuracy	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Unmetered Groundwater Measurement	Desk Review	<ol style="list-style-type: none"> 1. Is the methodology supporting unmetered groundwater usage measurement valid and include all applicable methodological assumptions?
12	CIP Planning Process Financial Management	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Capital Project Budgeting	Performance Audit	<ol style="list-style-type: none"> 1. Are there areas of Valley Water’s capital project budgeting practices that can benefit from adopting best practices?
13	IT Security Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	SCADA	Performance Audit	<ol style="list-style-type: none"> 1. What is the status of implementation of prior audit recommendations? 2. Will the recommendations as implemented by Valley Water accomplish intended goals and objectives?

					3. Are changes needed in the frequency of communications to the Board on the progress and status of cybersecurity and other IT needs?
14	Plan Monitoring Management Plan Implementation	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Strategy Development and Implementation	Cross-Functional Performance Audit	<ol style="list-style-type: none"> 1. To what extent are management plans underway or completed across Valley Water? 2. To what extent do the plans need a completion date or require updating? 3. Are strategy and management plans developed across the Agency right sized to the divisions and/or units' staffing levels and workloads? 4. What progress has Valley Water made in implementing management plans to manage risks?
15	Program Monitoring Governance Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Homelessness Programs	Performance Audit	<ol style="list-style-type: none"> 1. To what extent has Valley Water implemented its homelessness plan? 2. Can other cost-effective strategies implemented in other jurisdictions to prevent the creation and establishment of homeless encampments on Valley Water property? 3. How can Valley Water enhance its homelessness encampment clean-up activities to ensure the protection of health and safety of employees?
16	Grant Management	<input checked="" type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Financial Management	Follow-Up Audit	<ol style="list-style-type: none"> 1. Have improvements occurred in the timeliness of grant reimbursements? 2. To what extent has the grant management and administration implemented prior audit recommendations? 3. What improvements in program outcomes have occurred in the timeliness of grant application review, reimbursement, and accomplishment of deliverables?

17	Program Monitoring Management	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Encroachment Program	Performance Audit	1. Is Valley Water implementing its encroachment licensing program consistent with the Board’s guiding principles?
18	Data Management Data Accuracy	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Business Process	Cross Functional Performance Audit	1. To what extent have Valley Water units established business processes to ensure accurate data collection and input? 2. What gaps remain in automating data collection and input?
19	Operations	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Risk Management	Performance Audit	1. What are the advantages and disadvantages of realigning business functions (i.e., all risk management activities, workers compensation administration, and claim administration)? 2. Can risk management business processes benefit from updating? (i.e., overall operations, data management, contract claims, workers compensation, small claims, claims administration and management, workers compensation administration, and all risk management activities, including insurance & self-insurance.
20	Emergency Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Peer Review	Best Practices Review	1. Can regulatory permitting practices administered by other utilities districts help reduce barriers and other challenges experienced by Valley Water?
21	IT Project Management & Communication Data Accuracy	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	System Implementation	Post IT Implementation Audit	1. Has the current large ERP project implementation produced the desired functionality? 2. To what extent have all contract deliverables been met? 3. To what extent have data quality issues surfaced post-implementation? 4. What lessons learned can apply to future information system implementations?

22	Emergency Response Emergency Management	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Procurement	Performance Audit	<ol style="list-style-type: none"> 1. Have Valley Water’s procurement policies been flexible and agile to effectively and timely respond to and recover from past emergencies? 2. Are other procurement and operational activities needed to ensure prompt and reliable emergency services?
23	Environmental Sustainability Framework Development Program Monitoring Governance	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Program Measurement & Evaluation	Cross-Functional Performance Audit	<ol style="list-style-type: none"> 1. What level of success has Valley Water’s environmental stewardship activities had on preventing environmental damage and promoting environmental sustainability? 2. To what extent has Valley Water adopted sustainability indicators on specific projects to measure progress? 3. To what extent has Valley Water adopted sustainability indicators in its decision-making?
24	Program Monitoring Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Program Outcomes Business Process	Performance Audit	<ol style="list-style-type: none"> 1. To what extent has Valley Water mitigated the environmental hazards caused by non-use of the percolator ponds? 2. In a non-drought year, are barriers present that prevent Valley Water from filling percolator ponds? 3. What processes need development to prevent expiration of groundwater charge permits?
25	Financial Management Coord. & Comm. Financial Oversight	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input type="checkbox"/> Operational	Capital projects	Desk Review	<ol style="list-style-type: none"> 1. What potential financial risks could occur on the California WaterFix project?
26	CIP Monitoring	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Capital Project Evaluation and Monitoring	Cross-Functional Performance Audit	<ol style="list-style-type: none"> 1. Have completed capital projects met their intended goals? 2. To what extent does Valley Water include performance measures to measure success and monitor financial management?

					Are there lessons learned that can be adopted in future capital project plans to ensure goal accomplishments as well as implementation of alternative strategies to facilitate early communication to the Board of Directors of potential and actual problems, and to predict success such as performing cost vs. benefit analysis?
27	IT Security Management	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	IT Risk Management	Desk review	1. To what extent is IT risk management activities aligned with best practices, such as National Institute of Standards and Technology (NIST) guidance, including whether acceptable risk appetites and risk tolerances have been formally documented and approved by the Board of Directors?
28	Purchasing and Contracting Processes	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Financial Oversight	Desk Review	1. Can Valley Water benefit from updating its qualifications and experience criteria to include in future competitive bids for external financial audit services?
29	IT Strategic Planning Emergency Management	<input type="checkbox"/> Financial <input checked="" type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Disaster Planning	Performance Audit	1. Does Valley Water’s prioritization for systems and data recovery meet the agency’s needs for sustained business continuity? 2. To what extent does Valley Water’s process for determining the prioritization of systems and data recovery adhere to best practices (ex. NIST)?
30	Plan Development Plan Implementation Plan Monitoring	<input type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Decision-Making	Cross-Functional Performance Audit	1. What lessons has Valley Water learned from its ad hoc cross-functional efforts to proactively address current or emerging risks?
31	Financial Oversight	<input checked="" type="checkbox"/> Financial <input type="checkbox"/> Reputational <input checked="" type="checkbox"/> Operational	Outsourcing of Legal Services	Desk Review	1. How have changes occurred in District Counsel Office spending

for contracting external legal services?

2. To what extent are the nature of services provided by contracted legal firms presently outside of the District Counsel Office's expertise?
 3. Can expanding outsourced legal services prevent project delivery delays?
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SECTION C

AUDIT SERVICES – VALLEY WATER RESPONSIBILITY

QEMS ACTIVITIES

Under development

COMPLIANCE AND FINANCIAL AUDITS

FINANCIAL AUDITS
Financial Audits
Treasurer's Report
Appropriation's Limit
Compensation and Benefit Compliance (odd years)
Travel Expenses Reimbursement (even years)
Single Audit (if applicable)
WUE Fund Audit



Santa Clara Valley Water District

File No.: 22-0110

Agenda Date: 1/19/2022
Item No.: 4.8.

COMMITTEE AGENDA MEMORANDUM Board Audit Committee

SUBJECT:

Discuss the Financial Auditor Selection Process.

RECOMMENDATION:

Discuss the Financial Auditor selection process.

SUMMARY:

Per the Board Audit Committee (BAC) Audit Charter, Article 8, regarding the annual financial statement audit, "The Committee shall participate in Valley Water's procurement process for Valley Water's annual financial statement audit. The Committee's participation shall include, but not be limited to, providing input to Valley Water management on the selection criteria and desired qualifications of the public accounting firm. The selected external financial auditor shall submit to the Committee Valley Water's audited financial statements annually, including all related management letters to the Committee for review and comment.

Valley Water staff will be initiating a solicitation to put a new financial auditor in place by the summer of 2022. As such the purpose of this item is to facilitate a discussion by the committee that will result in guidance for staff in the solicitation process.

The following are some considerations to help guide the committee discussion:

- What are the key selection criteria and desired qualifications? Ideas below:
 - Five (5) years of experience successfully providing the specified services for public agencies similar to the District in size and complexity.
 - Knowledge and understanding of applicable regulations and codes including but not limited to the following:
 - Auditing standards generally accepted in the United States of America;
 - Governmental Accounting Standards Board (GASB) pronouncements;

- Government Accountability Office (GAO) publications;
 - Government Auditing Standards (GAS); and
 - OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, issued by the Office of Management and Budget (OMB) to comply with the federal single audit legislation;
- Qualified personnel who are certified public accountants to perform the services
 - Minimum of three (3) and a maximum of five (5) references of recent (last 3 years) clients for similar work
 - Other?
- What outreach efforts should be made? Ideas below:
 - Send Request for Proposal (RFP) notification to firms registered in Procurement System under expertise code FS10 - Auditing Services.
 - Special outreach to certain firms?
 - Who should be on the selection panel? Ideas below:
 - Certain staff?
 - Certain board members?
 - Ensure that contract includes requirement for auditor to communicate any issues, concerns, practices, programs, or activities that may pose a reputational, operational, financial, or service deliver risk to Valley Water regardless of the magnitude of the apparent risk, as well as any issue deemed pertinent in the auditor's professional judgment.

ATTACHMENTS:

None

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068